



SAMUEL MANU-TECH INC.

PACKAGING

- Strapping and Wrapping Material
- Hand Strapping Tools
- Automated Industrial Strapping Lines



METAL PROCESSING

- Steel Pickling
- Roll Forming
- Specialty Tubing
- Pressure Vessels



DISTRIBUTION

- Wire Rope, Chain & Slings
- Tool Steel
- Perforated Metal
- Stainless Steel Products
- Hardware, Wire Mesh & Fencing



2002

ANNUAL REPORT

The Company - A Brief Overview

Samuel Manu-Tech Inc. was established as a publicly traded company in 1985. Previous to that time, the original operations had been part of the privately held Samuel, Son & Co., Limited group of companies whose origins date back to 1855. Samuel Manu-Tech Inc. has grown considerably since its creation, building on the tradition of excellence, dependability and durability from whence it came. Samuel Manu-Tech's operations are divided into three segments – Packaging, Metal Processing and Distribution. Packaging comprises the manufacture and distribution of steel and plastic strapping and related machinery and tools in North America and distribution activities in Europe as well as the manufacture and distribution of wire stitching equipment in Racine, Wisconsin. Metal Processing comprises the manufacture of stainless steel tubular products, roll formed products, steel pressure vessels and the pickling of steel. Distribution comprises the distribution of specialized metal products and wire rope and chain in Canada and of stainless steel long products in the United States.

The mandate of the Corporate Office is to provide the support necessary to make each segment a profitable, growing concern capable of maintaining a strong position in its industry. This is achieved by investing in and exploiting the most advanced production, quality control and communication technologies available and by applying sound, thoroughly proven management philosophies and methods. The Company is also constantly seeking out new acquisitions and opportunities to enhance performance and shareholder value.

Good profits in the short term, superior return on investment in the long term, and a strong commitment to our customers, suppliers, employees and the environment ensure the Company's continued growth and success.

Samuel Manu-Tech's common shares are listed on The Toronto Stock Exchange under the trading symbol SMT.

Corporate Governance

Samuel Manu-Tech Inc. believes that it is in the best interest of its employees, its shareholders, and the many communities that it serves to establish an environment of effective internal controls with strong corporate governance structures and procedures. The Company's approach to governance issues flows from the following:

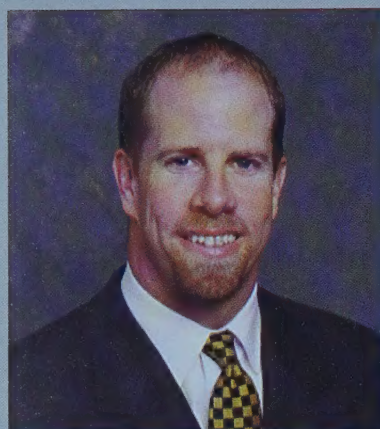
- Corporate governance is the process and structure used to direct and manage the affairs of the Company, with the objective of ensuring long term Corporate viability and the enhancement of shareholder value.
- The Board of Directors' general obligation is to oversee the management and business affairs of the Company.
- The Board carries out this mandate through four Committees being, the Audit and Finance Committee, the Human Resources and Compensation Committee, the Merger/Acquisition and Investment Committee and the Corporate Governance Committee.
- The Board reviews and reassesses the adequacy of the various Committee mandates on an annual basis.
- The Board, through its four sub-committees, and in consultation with management, monitors and makes recommendations regarding the Company's governance practices including, but not limited to, the implementation and compliance with its stated core values; the ethical and social conduct of its business; the integrity of its financial dealings, controls and reporting; the protection and enhancement of the environment; the health and safety of its employees; employment equity; the development and evaluation of senior management and succession planning; community relations and the adherence to all applicable laws and regulations.
- The objective of these governance principles and policies is to ensure that the Company carries on business in a fiscally sound and socially responsible way in the best interests of its shareholders, employees and the communities and countries in which it operates.

FINANCIAL HIGHLIGHTS

(thousands of dollars except per share amounts)	2002	2001	2000
Net Sales	\$687,765	\$ 720,817	\$ 806,482
Earnings Before Interest, Taxes, Depreciation, Amortization, Loss on Sale of European Business (2001) and Restructuring Charge (2000) (EBITDA)	73,507	61,432	81,828
Operating Profit Before Loss on Sale of European Business (2001) and Restructuring Charge (2000)	45,698	31,953	52,453
Earnings (Loss) After Loss on Sale of European Business (2001), Restructuring Charge (2000) and Before Taxes	36,809	(5,416)	20,825
Net Earnings (Loss)	26,909	(6,064)	18,175
- Basic and Diluted Earnings (Loss) per Share	0.83	(0.18)	0.53
Cash Flows from Operating Activities	59,097	76,775	33,845
Capital Asset Expenditures	11,158	30,657	26,730
Working Capital	114,493	139,083	159,113
Working Capital Ratio	1.9	2.4	2.2
Return on Average Shareholders' Equity	12.2%	(2.8%)	8.1%
Total Assets	465,715	482,498	555,098
Share Price at Year-End on TSX	7.55	5.40	5.70

FINANCIAL SUMMARY

(thousands of dollars except per share amounts)	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Net Sales	\$687,765	\$720,817	\$806,482	\$793,354	\$735,475	\$657,556	\$493,192	\$397,556	\$317,563	\$242,948
Earnings (Loss) from Operations	26,909	(6,064)	18,175	33,768	23,393	30,555	26,913	25,111	20,455	12,482
- Basic and Diluted Earnings (Loss) per Share	0.83	(0.18)	0.53	0.98	0.68	0.88	0.78	0.73	0.59	0.36
Net Earnings (Loss)	26,909	(6,064)	18,175	33,768	23,393	30,555	26,913	25,111	20,455	12,482
- Basic and Diluted Earnings (Loss) per Share	0.83	(0.18)	0.53	0.98	0.68	0.88	0.78	0.73	0.59	0.36
Cash Flows from Operating Activities	59,097	76,775	33,845	65,784	37,651	7,887	42,747	25,111	22,133	3,539
Capital Asset Expenditures	11,158	30,657	26,730	20,753	38,348	21,900	21,849	18,943	27,819	6,129
Average Shares Outstanding	32,329	32,943	34,143	34,537	34,567	34,584	34,584	34,584	34,588	34,648



Our Company bounced back nicely in 2002 posting significantly improved results. Operating profit improved 43%. Earnings from ongoing operations increased by a healthy 87.7%. As a result, our return on average Shareholders' Equity increased to 12.2%.

Samuel Manu-Tech bounced back to form in 2002 posting significantly improved results. While the soft market conditions experienced in 2001 continued into the first quarter of this year, the Company reduced costs, retrenched its assets and positioned itself to take advantage of a strengthened economy. As a result, the Company demonstrated positive sales and earnings momentum over the year.

Net sales for the year decreased 4.6% to \$687.8 million. Sales levels from ongoing Packaging and Metal Processing operations were actually ahead of 2001 levels while sales at our Distribution segment were down. Excluding sales from the UK Packaging unit which was sold at the end of 2001, overall Company sales were ahead by 2.3% for the year.

Results rebounded nicely in 2002. The Company posted a 43% improvement in operating profit, (earnings before interest, income taxes and the loss on sale of the UK business in 2001) to \$45.7 million in 2002 and generated a major improvement in Net Earnings to \$26.9 million or \$0.83 per share. Excluding the

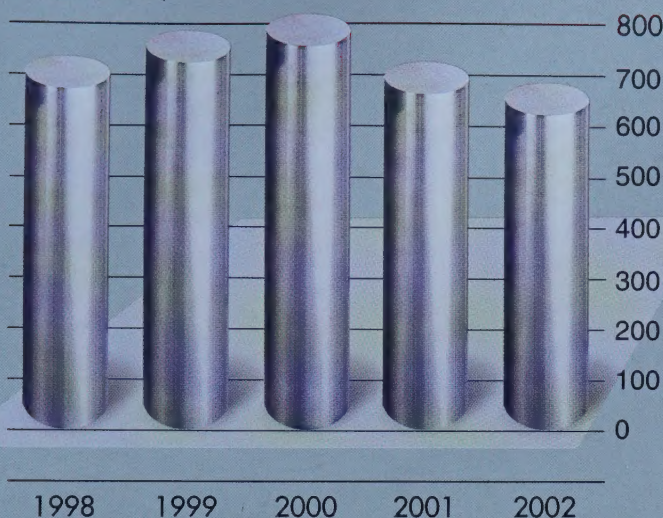
impact of the loss on the sale of the UK business in 2001, net earnings from ongoing operations increased by a healthy 87.7%. Much stronger performance within our Packaging and Metal Processing segments more than offset weak results from Distribution. As a result, our return on average Shareholders' Equity increased to 12.2% from last year's negative 2.8%.

Significant analysis of our operating results and operational initiatives is to be found in the Segment Commentaries and Management Discussion and Analysis elsewhere in this report. While our Stainless Steel Tubular Products, Pickling, Packaging and Steel Pressure Vessel operations posted stronger results year over year, our Roll Formed Products operations experienced a decline in its results and our Distribution segment unfortunately posted a loss for the year.

Emerging from a weak year and experiencing softness in many of our served markets, management committed itself to strengthening the Balance Sheet, training, developing our management team and repositioning our operations to compete more

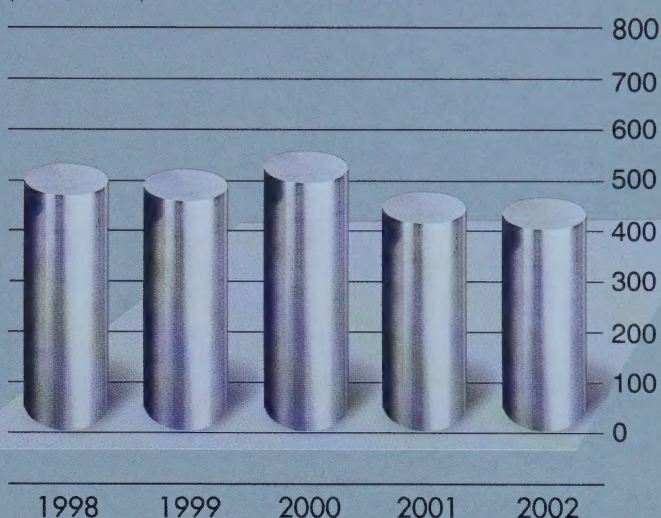
NET SALES

(millions of dollars)



TOTAL ASSETS

(millions of dollars)



Management committed itself to strengthening the Balance Sheet by repositioning our operations to compete more effectively in the North American market. The Company invested in its human "capital" in 2002 with extensive training programs to bolster the skills of our people.

effectively in the North American marketplace. While these initiatives continue into 2003, our efforts have already been rewarded with tangible results and renewed optimism.

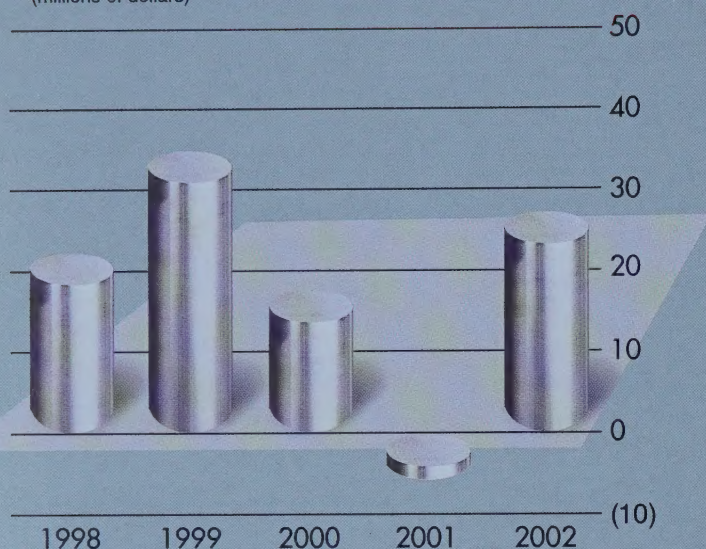
Extensive effort and the use of aggressive benchmarks allowed the Company to reduce working capital by \$24.6 million to \$114.5 million. This represents a 17.7% reduction from the prior year. Meanwhile, we were also able to reduce our long-term debt as our net borrowing declined \$41.3 million to \$119.3 million from the prior year's \$160.6 million level. This was achieved while investing a further \$11.2 million in capital expenditures.

As a result, our Net Debt to Capitalization ratio improved from 43.2% to 34.2%.

The Company also continued to invest in its human 'capital' in 2002. An extensive in-house management training program bolstered the skills of our people and served to promote intra-Company communication and co-operation. The Company also diligently pursued training with regard to Quality, Harassment and Discrimination, Health and Safety, Environmental and other regulatory compliance areas. Samuel Manu-Tech intends to be a leader in these sectors.

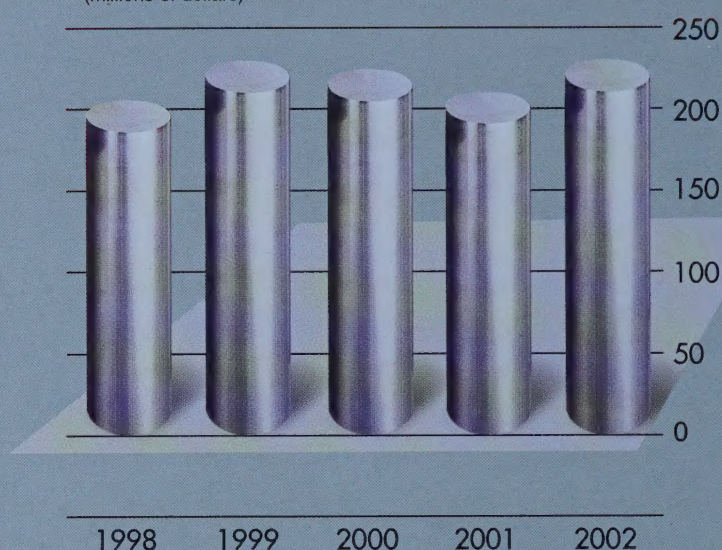
NET EARNINGS (LOSS)

(millions of dollars)



SHAREHOLDERS' EQUITY

(millions of dollars)



One of the Company's strengths is the quality, depth and experience of its employee base and of its entrepreneurial operational management. A significant event at the end of the year therefore was the establishment of a new position within the Corporate Office. Mr. Ed O'Connor, President of our Steel Pickling operations has taken on additional responsibilities as Vice President Corporate Development. This move adds greater depth to our Corporate management team and will allow us to be more proactive in identifying and pursuing growth opportunities while also providing better support for our existing operations.

A major strategic thrust for the Company has been the pursuit of higher value-added opportunities. Greater detail is available in the Segment Commentaries but in general we have focused on integrating our products and capabilities into the product planning and R&D efforts of our customers. A good example is found in our Roll Formed Products operations. Facing a soft outlook in a key served market, Custom Railcar, management concentrated on integrating our capabilities with our customers' needs and design planning. As a result, our percentage participation on various railcars to be built in North America has increased and we are well positioned to take advantage of the next cyclical upswing in this sector.

Our Company serves a diversity of customers and markets. This approach tends to insulate our performance from the fortunes of any one segment and provides a degree of consistency to our results. We will continue to be proactive in identifying and pursuing growth opportunities.

Similarly, our Stainless Steel Tubular Products management team has achieved tremendous results over the past few years in moving away from commodity products and increasingly into more sophisticated engineered products. Our Packaging segment is committed to a similar approach which positions us as a provider of integrated packaging solutions to our customers and not simply as a consumable product manufacturer.

We also continue to look internally at ways to serve our customers and our shareholders more effectively. A recently announced joint venture with Sekisui Jushi of Japan will provide our Packaging segment with a low cost quality supply of polypropylene strapping. When finalized, it will permit us to better service our customers' needs and will ultimately allow us to grow our margins and market share. The joint venture should also simplify the competitive marketplace and provide the Company with a valuable new business partner.

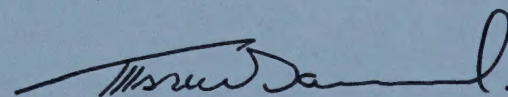
In the meanwhile, the Company continues to revisit the strengths and weaknesses of our markets and operations. Late in

2002 this led to the profitable reopening of our Cleveland Pickling facility in response to a strengthening steel market. Conversely in the fourth quarter we enacted the closure of our Distribution segment's LA unit which hadn't reached our performance benchmarks. An ongoing analysis of our U.S. Distribution approach continues and further consolidation may be required in 2003.

Samuel Manu-Tech serves a diversity of customers and markets. This approach tends to insulate our performance from the fortunes of any one segment and provides a degree of consistency to our results. The year 2002 witnessed our return to more traditional levels of earnings performance. Given our secure footing and positive outlook, management continued to pursue its Normal Course Issuer Bid, purchasing 622,600 shares over the year. It is anticipated that this will continue. In addition, given this positive environment, the Board of Directors announced in the first quarter of 2003 an increase to the dividend rate to \$0.05 per share from the previous \$0.03 per share. It is anticipated that this will be well received by the investment community.

Positive results, cost-effective facilities and a stronger balance sheet and greater depth at the Corporate Office leaves us better positioned to capitalize on opportunities that may arise in the marketplace. We will actively pursue acquisition prospects and will reinvest in our existing operations to maintain them as state-of-the-art. While some uncertainty exists in the North American economy due to industry consolidations and the potential for international conflict, the Company remains cautiously optimistic about its prospects for 2003 and beyond.

Finally, we express our appreciation to our customers, suppliers and other business partners for contributing to our success. Our dedicated employees also deserve our gratitude as do the members of our Board. Thank you for your experience, commitment and excellent contributions this year.



Mark C. Samuel
President and CEO

Overall, we were very pleased with our performance in 2002, driven by improved sales and profitability and in the achievement of the best profit performance in the history of our North American operations.

We experienced mixed economic conditions during 2002, with a struggling U.S. economy, and with no real growth experienced in any major industry segments that we target. In comparison, the Canadian economy was much more buoyant and we experienced satisfactory growth in most major industry segments where we are the market leader.

We significantly improved our manufacturing efficiencies at both the steel and plastic strapping plants in Canada and the U.S. These improvements flowed through to our bottom line profitability and were a big part of our success in 2002. We will realize additional profit improvements as we benefit from existing and future capital projects to be implemented in all manufacturing operations.

Our value-added selling strategy has allowed us to further successfully penetrate key accounts in specific industries. This was done through a combination of trained industry focused sales and service representatives where we combined sales, service, and technical expertise together with our comprehensive range of equipment and consumable products. We have also taken a leadership role in "bundled contracts". In conjunction with our customers, we evaluate total packaging needs and put forward complete packaging solutions. Having a single source for a multitude of packaging and unitizing products reduces transaction costs for our customers. The in-depth site surveys which we conduct can also address ergonomics, health and safety, and environmental issues.

Our industry-focused sales approach, which was implemented a number of years ago throughout North America, is gaining maturity. The success of this program allows us to more effectively manage the sales and profitability by key industry sectors as we are able to make better-informed decisions. This initiative has strengthened our business considerably and we are now in a much stronger position for the future.

During 2002, our sales to National Accounts increased. These accounts have many plant locations which require a great deal of sales and service time to implement and maintain. The consumable business in most cases is also very competitive. The value of the business is in the high volume, which helps to improve manufacturing efficiencies at our steel and plastic strapping plants. This business offers the opportunity to promote and sell our strapping equipment, which is a cornerstone of our sales and marketing program, to the individual plant locations.

Strapping application equipment sales continue to grow, particularly the standard strapping tools and strapping machines. Order bookings for customized strapping machine systems, although better than 2001, continue to be lower than our plan. This is due to the continued low capital expenditures by many major companies in most of our key industry sectors. Our order backlog improved significantly towards the end of the year, as we were successful in selling machine systems in the steel, construction, and container industries. This will give us a good start in 2003.

In addition to our own manufacturing capabilities, our strapping equipment program is strongly supported by our strategic equipment supply partners. We enjoy excellent relationships with key partners in North America and throughout the world, who are very important to the success of our Company. Most of these relationships have been developed over many years and are built on a very strong foundation with interdependency between our strategic equipment supply partners and ourselves.

Our "Business Enterprise Unit Concept" continued to grow in 2002. These businesses are independently managed, which allows them to be more focused. This allows us faster growth in specialized industries. The businesses are very successful in leveraging the synergies from our well-developed strapping customer account base. This program will be further developed in 2003.

Our manufacturing operations improved significantly in 2002. This, to a large extent, was due to increased employee involvement at all levels of the

manufacturing operations. We also upgraded our ISO 9001 program to the 2000 standard in the Canadian steel strap manufacturing plants, putting us in the leadership role in our industry. This is a major achievement and a credit to the dedication and commitment of our employees.

Early in 2003, we announced our intention to form a strategic joint venture with Sekisui Jushi of Japan ("Sekisui"), for the manufacturing, selling and distribution of polypropylene strapping in North America. Sekisui is one of the leading producers of polypropylene strapping in the world and has advantageous proprietary technology and patents. Our combined production base together with significant new investment will allow us to service our customers more effectively and to reduce our production costs. We would manage all selling and marketing exclusively for the new venture. The proposed transaction is subject to the completion of a number of pre-conditions to closing and if completed, will result in a transaction closing in the latter half of 2003.

Throughout 2002, we spent a considerable amount of time training our employees. This program will continue and will be expanded in 2003 and beyond. Training programs include Leadership Training, Management Development, Health and Safety, and many others developed for specific departments within our group of companies.

Our Packaging segment is well-positioned to grow in the North American market. In conjunction with organic growth, we are actively seeking strategic acquisitions and joint ventures. The economic climate in 2003 is very unpredictable and will probably remain that way throughout the year. We will continue to analyze all areas of the Packaging segment and strive for continuous quality and cost improvements. We have well-trained, committed people who are dedicated to improving the long-term success and profitability of our own business and that of our customers.

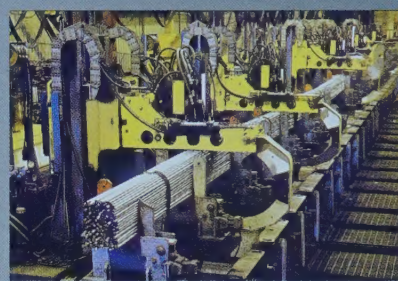


Strapping tools are a very important part of our business and are sold into all key industry sectors that we service. We sell and service a comprehensive range of reliable quality Fromm Strapping Tools for both steel and plastic strapping.

We enjoy long standing strategic partnerships with key equipment suppliers located throughout the world.

Metal Industries

The North American metals industry is a key strategic industry for the Packaging segment. We have a comprehensive range of strapping and packaging solutions, varying from manual hand tools to fully automated engineered strapping systems. A full line of stretch wrap equipment designed specifically for the metals industry is available. We work with our key strategic supply partners to engineer and build custom-designed systems to satisfy the ever increasing needs in this demanding industry.



Co-Steel Lasco, Whitby, Ontario.



Nelson Steel, Stoney Creek, Ontario.



Magic Steel, Grand Rapids, Michigan.

Forestry, Pulp & Paper

The Packaging segment has earned a leadership position in this industry in the Canadian market. Our successful program is now being implemented in the United States where we have targeted market share growth. We have a comprehensive product and equipment range backed up by high quality service to comply with the changing demands of this industry.

We have developed a program to convert strapping machines from steel strapping to polyester strapping; this program can be applied to all strapping machines irrespective of the original manufacturer.



West Fraser Mills, Quesnel, British Columbia.



Weyerhaeuser, Springfield, Oregon.



Shelburne Wood Processing, Shelburne, Ontario.



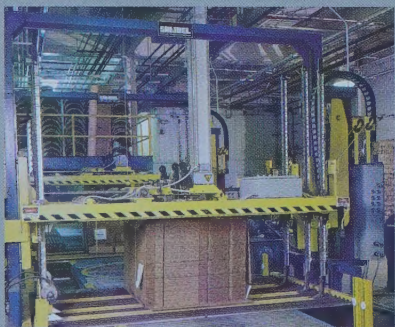
Weyerhaeuser, Bruce, Mississippi.

The Packaging segment sells and services all major industry sectors. We have industry-focused sales and service teams who are well-trained and understand our clients' businesses and their packaging needs.

We are able to supply the most cost-effective strapping and packaging solutions to add value and profit to our customers' bottom line.

Corrugated

We have a long history in serving the corrugated industry and have supplied both standard and customized strapping systems to customers. A complete range of equipment is offered to cover all needs and we are continually improving our product offering. Our high-speed plastic strapping head for polypropylene or polyester strapping is well proven. Customers enjoy very low maintenance and parts usage increasing productivity and reducing operating costs.



PCA corrugated application, Gas City, Indiana

Brick and Block

Over the past several years, the brick and block manufacturing industries have introduced more automation to manufacture and package their products. We have been active in developing and engineering strapping systems to meet the needs of this industry. Fully automated strapping systems have been developed to use high-strength polyester strapping to package clay bricks. We are well-positioned to convert steel strapping to polyester strapping in the interlocking paving industry.



Canada Brick, Burlington, Ontario.



Oaks Concrete Products, Markham, Ontario.



Santsar Industries, Windsor, Ontario.



Weyerhaeuser, Montgomery, Illinois



Montcorr Packaging, Côteau du Lac, Québec

Newspaper and Graphics

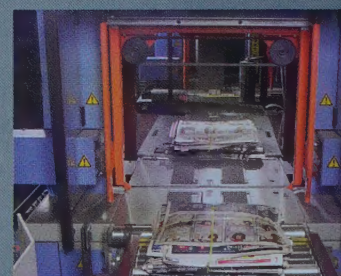
We are very active in the newspaper and graphics industries with many single and multiple strapping machine installations at customers' plants throughout North America. As customer requirements have changed, we have introduced new and improved equipment and have also broadened our equipment range. In 2003, we will launch strapping equipment specifically designed for the graphics industry; this will complement our well-proven stretch wrap equipment.



Akron Beacon Journal, Akron, Ohio



Omaha World Herald, Omaha, Nebraska



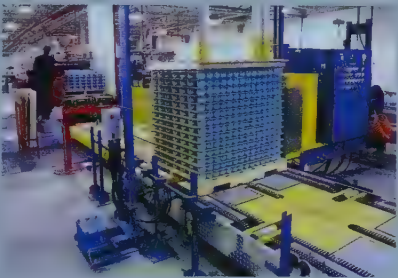
Louisville Courier Journal, Louisville, Kentucky

Can and Bottle

The can and bottle industry is going through major changes. Many manufacturers are now using polyester bottles (PET) instead of the traditional metal and glass containers. We are well-positioned in this industry to service all customers' needs. We offer strapping systems to package metal, glass, or polyester containers, and have many installations currently in operation.



Glenshaw Glass, Pittsburgh, Pennsylvania.



Alliance Labeling, Oakville, Ontario



Cancorp, Philadelphia, PA

General Packaging

The General Packaging Industry covers a wide range of industries which are strategically important to our business. This diverse customer base is well-served by our general packaging sales group. We work closely with our customers to ensure they have the most efficient strapping and packaging system which is always supported by our well-trained customer sales and service teams.



Upwardor Corp., Milton, Ontario..



Lithotech, Scarborough, Ontario.



U.S. Postal Service, Philadelphia, Pennsylvania.

The year 2002 produced improved results for our Metal Processing segment. While overall sales and operating profits increased for most products over 2001, roll formed products were negatively affected by a continued stagnant production rate for rail cars and the mixed economic conditions.

We continued to achieve steady improvement in our overall productivity. Streamlined product flow through our manufacturing facilities, as well as increased process speeds and lower product yield losses and scrap rates were instrumental in allowing our plants to operate more productively. Our goal is always to maximize the productivity and efficiency of our production assets.

Stainless Steel Tubular Products

During 2002, we capitalized on the process of transformation from a manufacturer of commodity pipe and tube to a provider of specialty-engineered tubing solutions. We are now enjoying an extended period of organic growth. Attainment of aggressive return on investment goals has become an integral and sustainable element within this business.

Although a world-wide oversupply of stainless steel continues to contribute to weak pricing levels in all stainless markets, emphasis on specialty-engineered tubing markets tends to insulate tubing from low margins. Conversely, an apparent shortage of nickel has caused some upward pricing pressure, especially on high nickel alloy tubing business. This supply and demand uncertainty will continue in 2003.

Pursuit of impeccable quality standards continues to be the cornerstone of this business and, to that end, TS 16949 Quality Certification was added to ISO 9002 and QS 9000 Registrations during 2002. Best in class quality performance allows for profitable operations in all economic conditions.

The stainless steel tubular products business relies on a relatively small number of very important customers located in the U.S., Canada and Mexico, with about half of the product mix sold to automotive fuel handling assembly manufacturers. Other end use industries of significance include residential natural gas furnace, power generation, industrial heating and resource processing. This geographic and end use industry diversity is seen as a major competitive advantage, and a strategic strength going forward.

Roll Formed Products

2002 was a transitional year for Roll Formed Products. Key markets, especially in the U.S., continued their decline. We are only now in 2003 seeing recovery in these areas. This relatively slow period was utilized to improve internally and better position us for 2003 and beyond.

Quality systems were reorganized and all divisions will be certified to the latest ISO standards in 2003. Safety programs were upgraded at two locations to meet the highest safety audit standards in Ontario. Operations saw new equipment and processes installed and implemented. Older equipment was rebuilt and modified for better efficiencies. Key tooling was replaced with new tooling redesigned for better quality. An Enterprise Resource Planning (ERP) Team was assembled from all departments to evaluate and standardize processes and an IT system to implement these new processes was approved. Sales and marketing departments were expanded, allowing us to better service our existing and new customers, along with targeting new market areas for growth. Our focus on value added was intensified at all locations from small assemblies at Scarborough to very large rail car components at Cambridge. We coordinated our sales efforts with other divisions within the Company and with our parent company and will

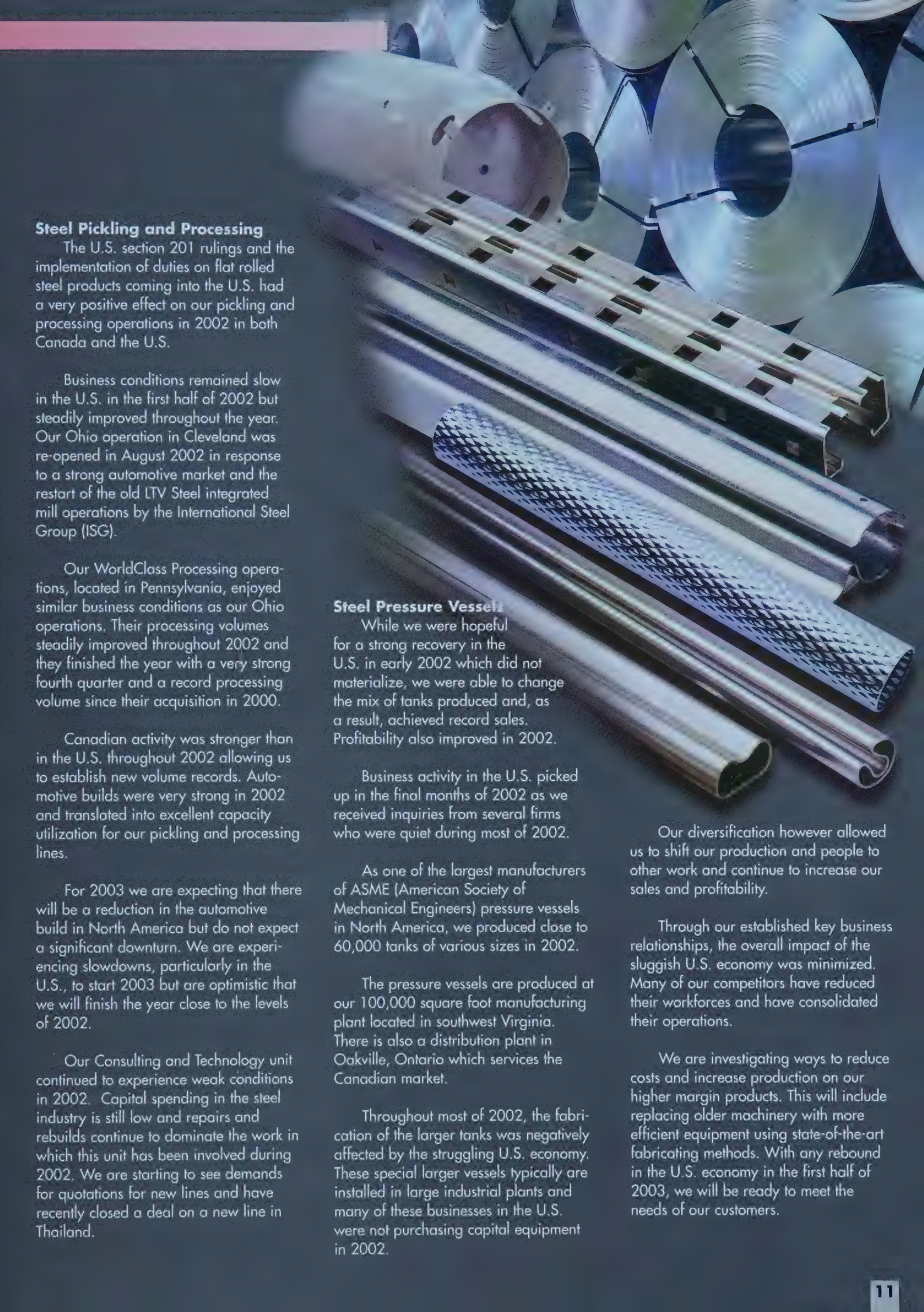
continue these efforts in the future. These are only a few of the many improvements that were implemented in the past year. We continue to look for better ways to service our existing markets as well as target new markets that can benefit from our unique processes, products and experience.

We produce Building Products in the industrial, commercial and residential markets. Both the industrial building and commercial building markets were down significantly in 2002. We expect our participation in both areas to improve in 2003.

In 2002, our participation in residential construction was minimal. We are now actively promoting our light weight steel framing in this market place. Export sales of this product were strong in 2002 and are expected to grow in 2003.

Our key rail car market declined for the second straight year but we are well prepared for the expected increase in this sector. Freight car production in North America is projected to increase from 18,000 cars in 2002 to over 30,000 cars in 2003. We expanded our value added facility for freight cars in 2002 with the addition of a four axis CNC controlled drilling machine, specifically designed for our unique requirements. Our position in this market is very strong. While we have been expanding, our competition has been retrenching.

Heavy Construction Products include such items as Sheet Piling, Bearing Piles, Highway Road Products and Mine Bolts. Sheet Piling sales were strong in 2002. We expect this to continue as infrastructure projects are expanding in North America. Our Cold Formed Sheet Piling gained more acceptance with engineers and is routinely specified on many projects. Highway Road Products sales declined in 2002 but is expected to expand in 2003. We are also revamping our marketing program for Mine Bolts for increased sales in 2003.



Steel Pickling and Processing

The U.S. section 201 rulings and the implementation of duties on flat rolled steel products coming into the U.S. had a very positive effect on our pickling and processing operations in 2002 in both Canada and the U.S.

Business conditions remained slow in the U.S. in the first half of 2002 but steadily improved throughout the year. Our Ohio operation in Cleveland was re-opened in August 2002 in response to a strong automotive market and the restart of the old LTV Steel integrated mill operations by the International Steel Group (ISG).

Our WorldClass Processing operations, located in Pennsylvania, enjoyed similar business conditions as our Ohio operations. Their processing volumes steadily improved throughout 2002 and they finished the year with a very strong fourth quarter and a record processing volume since their acquisition in 2000.

Canadian activity was stronger than in the U.S. throughout 2002 allowing us to establish new volume records. Automotive builds were very strong in 2002 and translated into excellent capacity utilization for our pickling and processing lines.

For 2003 we are expecting that there will be a reduction in the automotive build in North America but do not expect a significant downturn. We are experiencing slowdowns, particularly in the U.S., to start 2003 but are optimistic that we will finish the year close to the levels of 2002.

Our Consulting and Technology unit continued to experience weak conditions in 2002. Capital spending in the steel industry is still low and repairs and rebuilds continue to dominate the work in which this unit has been involved during 2002. We are starting to see demands for quotations for new lines and have recently closed a deal on a new line in Thailand.

Steel Pressure Vessels

While we were hopeful for a strong recovery in the U.S. in early 2002 which did not materialize, we were able to change the mix of tanks produced and, as a result, achieved record sales. Profitability also improved in 2002.

Business activity in the U.S. picked up in the final months of 2002 as we received inquiries from several firms who were quiet during most of 2002.

As one of the largest manufacturers of ASME (American Society of Mechanical Engineers) pressure vessels in North America, we produced close to 60,000 tanks of various sizes in 2002.

The pressure vessels are produced at our 100,000 square foot manufacturing plant located in southwest Virginia. There is also a distribution plant in Oakville, Ontario which services the Canadian market.

Throughout most of 2002, the fabrication of the larger tanks was negatively affected by the struggling U.S. economy. These special larger vessels typically are installed in large industrial plants and many of these businesses in the U.S. were not purchasing capital equipment in 2002.

Our diversification however allowed us to shift our production and people to other work and continue to increase our sales and profitability.

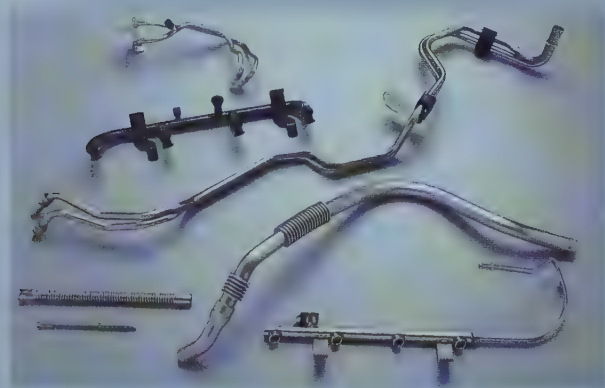
Through our established key business relationships, the overall impact of the sluggish U.S. economy was minimized. Many of our competitors have reduced their workforces and have consolidated their operations.

We are investigating ways to reduce costs and increase production on our higher margin products. This will include replacing older machinery with more efficient equipment using state-of-the-art fabricating methods. With any rebound in the U.S. economy in the first half of 2003, we will be ready to meet the needs of our customers.

We have successfully positioned ourselves as a leading producer of Specialty Engineered Tubing Solutions to the North American market. Serving automotive, petrochemical, pharmaceutical, food, beverage, HVAC, and power generation industries, we have forged strong relationships through our commitment to quality of service.

Automotive Industry

We have established a reputation as the leader in the manufacture of welded stainless steel tubing for use in automotive fuel systems. The majority of our automotive products are manufactured for OEM applications throughout North America. Our strengths in this market sector have evolved from the supply of small diameter round products, to include profiles of unique stainless steel custom designed solutions. Our New Product Development team partners with our automotive customers to meet new challenges in this demanding industry with its relentless drive for perfection.



A selection of automotive assemblies made from our tubing.

Food & Beverage

Stainless steel provides the sanitary environment demanded by today's food and beverage industry. Our ability to manufacture product with consistent cleanliness and surface finishes ensures our success in this market. Brew quality pipe, produced in a variety of alloys, is manufactured to stringent ID surface finish requirements, to meet the quality standards of the world's most successful breweries.



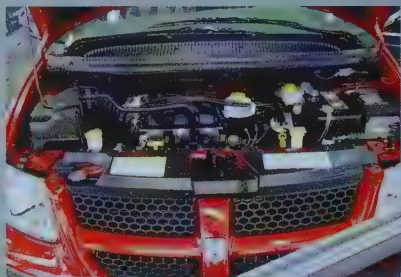
Our pipe installed in a world class brewery.



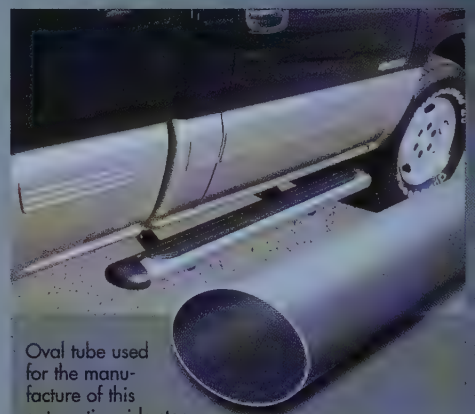
Commercial coffee makers function with this specialty tube.



Heating elements for commercial deep fryers.



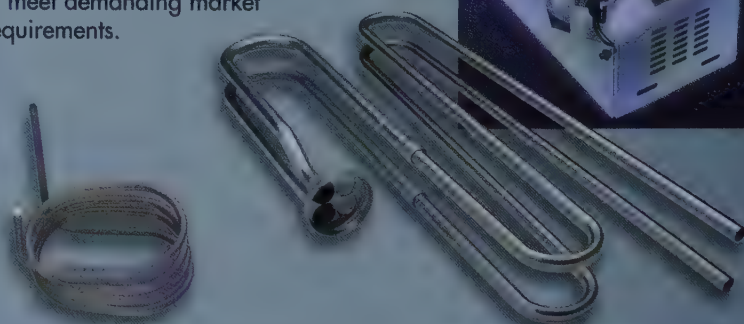
Our B-Tube is used to manufacture gasoline fuel rails for Chrysler minivans.



Oval tube used for the manufacture of this automotive side step.

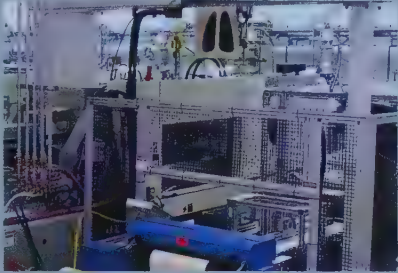
Heating & Cooling

The North American market has embraced the development of high-efficiency natural gas residential furnaces, providing strong market demand for our tubular products. Our penetration of this market has increased significantly in the past two years with the supply of corrosion-resistant, small diameter, light wall, specialty product, produced in straight length and fabricated configurations to meet demanding market requirements.



Fluid Power Application

We are a premier supplier of light wall, cold-drawn, precision tubing for fluid power applications used widely in automated process equipment. Our knowledge of cold-drawing processes has led to the development of products that meet and exceed market requirements for pneumatic and hydraulic applications.



Air cylinders are widely used in automated manufacturing equipment.



Steam Generation

We are the dominant North American supplier of a product for installation in soot blowers used for the cleaning of industrial boilers, heaters and heat exchangers. We offer strong engineering and metallurgical competencies to meet the demanding technical requirements of this market.

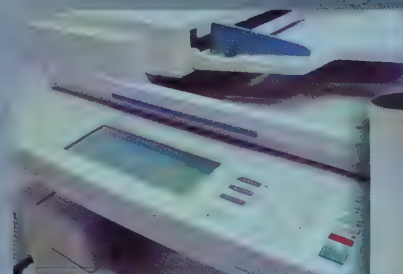


Electric power plants use soot blowers to de-scale boilers.

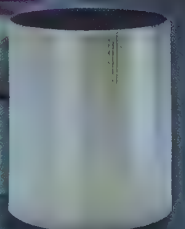


Mechanical Applications

Our experience in the manufacture of specialty tubing solutions has led to the successful development of products used in various industries. These products offer value to our customers in many ways: reliable quality, improved product performance, JIT programs, reduced material-handling costs, innovative packaging, dependable delivery performance, product traceability, and competitive pricing. Accreditation to ISO 9002/TS16949 confirms our dedication to quality.



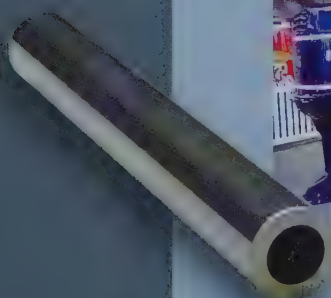
Office printers have specialty tube built in.



Heavy wall tube for outboard motor steering system.



We manufacture tubes used for hydraulic applications in modern RV's.



We supply virtually all major industries including commercial and residential buildings, architectural roofing and cladding, rail and road transport, automotive, agricultural, mining, and heavy construction products such as sheet piling and highway guiderail systems.

These parts range in size from a few inches, weighing less than 5 oz., to heavy sections measuring over 100 feet and weighing up to 4,000 lbs. Shapes range from simple to the most complex and include pre-piercing, notching and in-line welding. We have recently expanded our capabilities for value added processing to include MIG and TIG welding, plasma cutting and precision drilling.

Heavy Construction Products

We are capable of roll forming long, heavy sections used in building retaining walls for seaports, shorelines, highway escarpments, and major construction sites to contain and stabilize soil erosion or to separate land from waterways. North American road systems use our highway guiderails, cold rolled and galvanized, stretching along thousands of kilometers.



Small Harbour - Docking Wall

Commercial and Residential Building Products

We manufacture a wide range of standard and custom profiles for commercial, industrial, architectural, and residential applications. These products are available in a wide variety of proven colours and paint systems that can enhance the look of any project. We are also a key supplier to the Light Steel Framing (LSF) market.



Light Steel Framing (LSF)



Roof Cladding



Side Paneling



Seaport Retaining Wall



Highway Guiderail

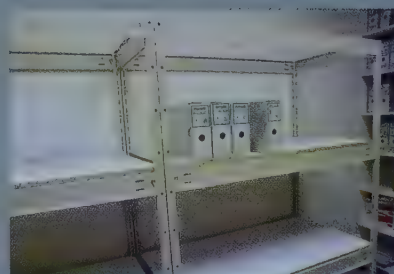
Manufacturing Industries

We serve a variety of manufacturers in diverse industries including food and beverage, office furniture, agricultural and mining. Roll formed products can replace traditional manufacturing methods for improved strength, tight tolerance, long life, reduced production time, ease of installation and cost efficiency.

We are committed to working with our customers to meet their needs and deliver value-added products and services.



Beverage In-line Filling Trays



Office Equipment - Shelving Unit



Rock Set Stabilizer

Automotive Products

The automotive industry, in its drive towards perfection and efficiency, has become an excellent market for roll forming solutions. Strength, precision, design and weight are key factors in this highly demanding industry where fuel and cost efficiency is measured in thousands of parts.

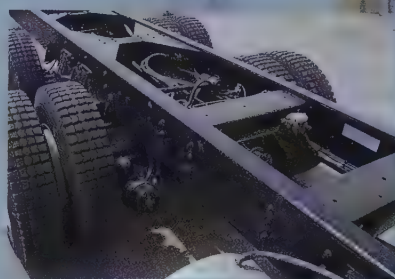
Some recent projects include rear bumpers for minivans, seat belt towers, and running boards for SUV's.



Ford Windstar - Bumpers



Cargo Box



Truck Frame Rail

Rail Transportation

For over 35 years, we have been serving the rail transportation industry building a reputation in this highly demanding market as an innovative supplier of custom made, one-piece sections. We have expanded this commitment by producing lighter, stronger, and wider finished components as well. We work closely with rail system manufacturers, building land and underground trains for passengers and freight transport.



Passenger Train Components.



Roof and Side Sheets, Side Sills, End Pillars



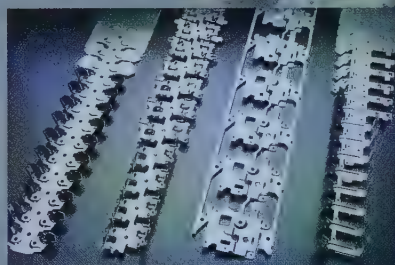
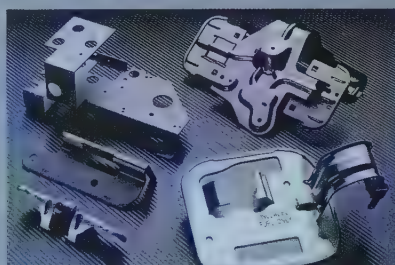
Roof Sheets, Side Screens, Hold Down Channels

STEEL PICKLING AND PROCESSING

Steel Pickling is one of our core services provided to the steel manufacturing industry, supporting automotive, fabricating, appliance, hardware, office furniture and other industries. We are a pioneer in steel pickling technology, having been on the inside track for many years as a designer and builder of steel pickling process sections worldwide. Our unique position as operators, designers and manufacturers makes us an ideal choice as a supplier of pickled steel. As a value-added service, we provide edge trimming and custom coil slitting.

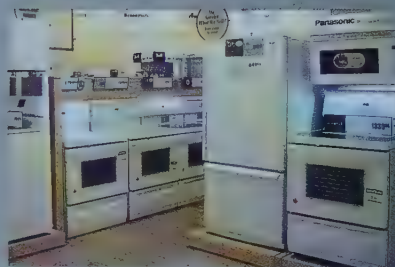
Automotive Parts Industry

The automotive industry is by far the biggest consumer of steel processed by our Steel Pickling operations. Some of the steel is used in pickled form to manufacture auto frames, engine components, wheel rims and many different stamped parts. Other automotive parts require further processing such as cold rolling and galvanizing for the manufacture of clutch plates, seat frames, body panels and other applications.



Appliances / Office Furniture

The appliance industry is an important user of pickled steel. Every household has a full range of major appliances; stove, fridge, freezer and dishwasher.



Office furniture, mostly in the form of steel filing cabinets, is made of pickled steel, then further cold rolled and painted for final manufacturing.



Hardware, BBQs/Gas Tanks

Some widely used hardware products are made with pickled steel; shovels, wheelbarrows, garden tools and containers, to only mention a few.



Barbecues and gas tanks are further applications of pickled steel.



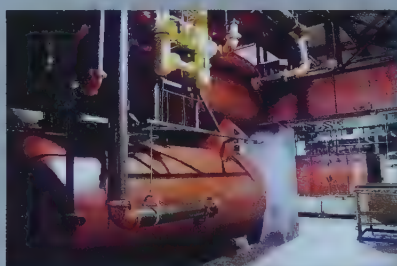
STEEL PRESSURE VESSELS

This division of the Metal Processing segment manufactures ASME pressure vessels for a wide variety of industries and uses. Almost every manufacturing operation utilizes compressed air in their process and it is as vital to them as electricity or other utilities. The compressed air is stored in highly engineered pressure vessels, which we produce in sizes ranging from 6" diameter to 120" diameter. Utilizing our human and technical resources, we stay focused on producing the highest quality steel pressure vessels in the industry.

Metal Stamping Industry

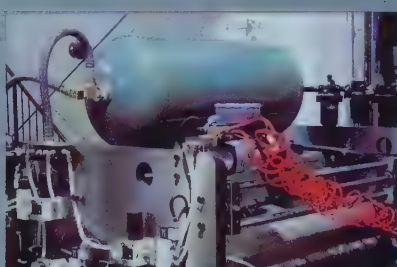
The use of compressed air and pressure vessels in metal stamping is applied in the operation of the equipment. Pressure vessels are used to store the air under pressure, then deliver it to the equipment when needed. We are very successful in servicing this important industry.

The tanks can be located directly on top of the machines or, in some cases, they may be positioned in a corner or even housed in the basement, where extra large vessels supply all stamping presses in operation on the main floor.



Manufacturing Industries

Many types of industrial production equipment rely on compressed air to operate instead of electricity. We offer both standard in-stock vessels for immediate delivery or custom made special units to fit a particular requirement as specified by the customer. Compressed air, as required by law in most cases, must be stored in an ASME pressure vessel which ensures user safety and offers other advantages.



Air Compressor Industry

The majority of our sales and volume go to the air compressor manufacturers or assemblers throughout North America. This industry assembles the air compressors, using an ASME pressure vessel, an electric or gas engine and a compressor head plus other small attachments. Over the last few years, many homeowners have also purchased small compressor units for domestic use.



The Distribution segment is a diverse metals distributor whose products find their way into a broad range of North American industries.

Unalloy-IWRC, our Canadian metals distribution unit, fell well short of plan in 2002 due to the ongoing softwood lumber dispute and the downturn in rail car production. These events compelled us to focus on adding more value-added products from a broader industrial base, thus becoming less reliant on single industry business markets.

Tool Steel enjoyed its best year ever, despite the drop off in auto related business and is set to repeat this success in 2003 by adding new sawing equipment to expand the range of product we offer to the market place.

Wire Rope, which is our core product, suffered from the ongoing softwood lumber dispute. We recovered some lost opportunities by adding equipment to produce new products for synthetic slings as well as completing arrangements to exclusively represent a major North American wire rope producer. These two additions of value-added products will lead the way to profitable growth in 2003.

In January 2003, we attained ISO 9001:2000 accreditation at our Brampton, Ontario facility and it is anticipated we will attain the same certification at our other Canadian facilities during the first half of 2003.

Energy Steel Products, our "mill support center" metals distribution unit in the U.S., continued to experience the very difficult market and competitive conditions.

Anticipation that anti-dumping cases coupled with U.S. section 201 trade sanctions would leave us better positioned to maintain our market share did not come to pass. While these actions enabled us to maintain margins the precipitous drop in the key market segments of energy, aerospace, turbine and capital goods led to a significant drop in sales for both our customers and ourselves.

Given these conditions, we felt it prudent to downsize our operations which resulted in the closure of our Los Angeles, California facility, consolidating our activities in our other branches. We have also completed a review of our inventories and have continued to reduce our level of investment, while still meeting the demands of our customers.

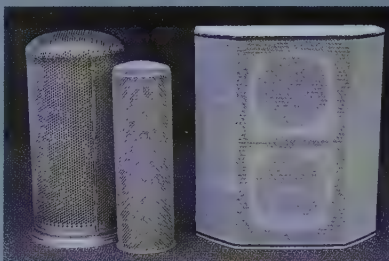
2003 brings optimism from our customers for improving conditions and we feel confident of improved returns as the year progresses.

As in Canada, Energy Steel Products will pursue ISO 9001:2000 accreditation at all of its locations during the first half of 2003.

At the end of the first quarter in 2003, our industry leading business-to-business e-Commerce initiatives linking customers to our legacy systems will be live and in use with several major customers.

Perforated Metal

We have the largest selection of perforated metals and plastics in Canada with stocking locations in Ontario, Quebec and B.C. Decorative wire mesh has been added to our portfolio. Unalloy's sales support staff can assist you in creating innovative designs and cost effective solutions to suit the specific application in your industry.



Products made with perforated metals.



Perforated metal panels in atrium architecture.



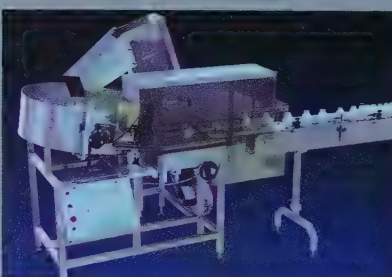
Perforated ceiling panels in convention hall.

Stainless Products

Unalloy-IWRC provides long products to stocking distributors in a variety of alloys, sizes and shapes such as round, angle, square, hex and flat bar. End use applications include petrochemical, pharmaceutical, machinery, building and architectural industries.



Stainless railing in glass elevator.



Packaging machinery built with stainless.



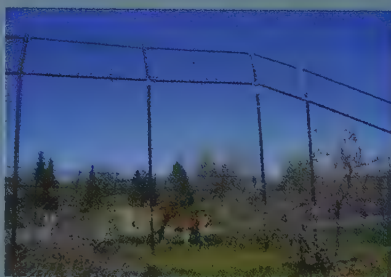
Stainless round bars make attractive railings.

Hardware

Unalloy-IWRC's expanded line of hardware products includes nails, screws, bolts, fittings, rebar tie wire, merchant wire, fencing needs and many other associated building products. The manufacturing mills we select are known for their superior quality while specializing in a wide range of goods.



Hardware is extensively used by construction.



Fencing has many applications.



Wire mesh retains stone walls.

Wire Ropes

In all sectors of business today, there is a need to move and secure products. With an industry focus on safety, Unalloy-IWRC is at the forefront of supplying products that meet and exceed the needs of industry. Unalloy-IWRC carries an extensive selection of wire rope products, both domestic manufactured and imported to meet all customers' needs. The manufacture of our own "LOADLOC" line of nylon web slings and cargo tie-down products is a new service we offer. We can fill custom orders to suit your specific requirements in this area. The highest quality chain and chain sling products are also available.

To extend our service, we perform inspections and seminars for our customers with focus on safety, including in-house testing to make for a complete one-stop-service. As new products develop in the future, Unalloy-IWRC will be there to provide new innovations to our customers.



Wire rope and slings used by seaport cranes.



Wire Rope is used in bridge construction.



Wire Rope is lowered by helicopter to lift trees.

Tool Steel

Tool Steel is the heart and foundation of the metal working industry. This family of steel is used to cut, form, punch, shape, drill or extrude other metal alloys. Our technical sales staff provides the latest development in metallurgy to tool & die shops across Canada and the U.S.A. Tool steel reaches into the aerospace, building, nuclear, automotive, and plastics industries. Unalloy-IWRC's tool steel meets rigorous metallurgical and physical standards.



Tool Steel is vital for machine building.



Tooling for the die casting industry.



Tool Steel is used to machine high precision components.

RESULTS OF OPERATIONS

The Company classifies its businesses into three distinct segments – Packaging, Metal Processing and Distribution. Packaging comprises the manufacture and distribution of steel and plastic strapping and related machinery and tools in North America and distribution activities in Europe as well as the manufacture and distribution of wire stitching equipment in Racine, Wisconsin. Metal Processing comprises the manufacture of stainless steel tubular products, roll formed products, steel pickling and processing and steel pressure vessels. Distribution comprises the distribution of specialized metal products and wire rope and chain in Canada and of stainless steel long products in the United States.

Net Sales

Net sales for 2002 were \$687.8 million, a decrease of \$33.0 million or 4.6% from 2001 with only the Metal Processing segment recording higher sales.

Sales of the Packaging segment amounted to \$334.8 million, which is \$33.1 million or 9.0% lower than the \$367.9 million achieved in 2001. Excluding the sales from the U.K. unit which was sold effective November 21, 2001, however, sales were actually up 4.7% with increased sales in both Canada and the U.S.

The increase in Canada reflected a buoyant domestic economy and the Company achieved strong growth in sales of steel and plastic strapping. In the U.S., despite a struggling economy, the Company achieved increased sales of steel strapping. Performance in plastic strapping was mixed reflecting a highly-competitive marketplace with higher sales of polyester strapping being offset by reduced polypropylene sales. Growth in Packaging sales in 2003 will be highly dependent on an improvement in the outlook for the North American economy.

Metal Processing sales in 2002 amounted to \$267.6 million which represents an increase of \$7.9 million or 3.0% over the prior year's \$259.7 million. Within this segment, sales of roll formed products were below the prior year mainly due to a change in product mix which resulted in lower sales of custom products and a further decline in freight car production. As a result of the rebound of the North American automotive industry, pickling volumes were ahead of 2001 in both Canada and the U.S. Sales of stainless steel tubular products and pressure vessels were also ahead of the previous year. Metal processing sales are projected to increase in 2003 for all units, however this is dependent upon a continuing strong automotive market and an increase in freight car production in North America.

Distribution sales were \$85.4 million in 2002 which represents a decrease of \$7.8 million or 8.3% from last year's \$93.2 million. Sales in Canada increased by 8.0% compared to last year, however all of the shortfall in the year occurred at the U.S. unit which experienced a sharp decline in sales throughout the year. This prompted management to further downsize the U.S. operations and close the Los Angeles, California branch and

consolidate activities in the other branches. Inventories have also been reduced to more functional levels. Costs related to this closure and downsizing have been reflected in cost of sales, selling and administration in 2002. Growth in Distribution sales in 2003 will be highly dependent on an improvement in the North American economy, particularly in the U.S.

Sales in 2002 by the Company's U.S. operations, together with exports by Canadian divisions, accounted for \$412.7 million or 60.0% of total Company sales, compared to \$448.7 million or 62.2% last year.

Earnings

Operating profit (earnings before interest, income taxes and loss on sale of European business in 2001) amounted to \$45.7 million in 2002, an increase of \$13.7 million or 43.0% from 2001. The major reasons for the increase were higher earnings in the Packaging and Metal Processing segments and a general turnaround experienced in the majority of our businesses.

At the Packaging segment, operating earnings were \$20.2 million which is an increase of \$7.0 million or 53.1% over the previous year's \$13.2 million and represents a record profit performance for the North American operations. Both Canada and the U.S. posted improved levels of profitability which resulted from higher sales and cost reductions. In addition, there were significant improvements in manufacturing efficiencies at both the steel and plastic strapping plants in Canada and the U.S.

Despite the current unpredictable economic conditions, an improvement in Packaging profits is expected in 2003 primarily as a result of increased sales and achieving further productivity gains.

Operating earnings of the Metal Processing segment in 2002 amounted to \$35.6 million, an increase of \$8.9 million or 33.4% from \$26.7 million in the prior year. The major reason for the increase is due to higher earnings from steel pickling where record volumes were processed as a result of a strong North American automotive industry. Profits from Roll Formed Products were down from the prior year due to reduced shipments of heavy custom sections to the railroad industry. Earnings from the sale of stainless steel tubular products were ahead of the prior year due to an improved product mix as this unit completed the process of transformation from a manufacturer of commodity pipe and tube to a provider of specialty-engineered tubing solutions. Earnings from the sales of pressure vessels were also ahead of the prior year. Metal Processing is expected to turn in higher profits in 2003, however this will be dependent on an improvement in economic conditions with continuing strong automotive markets and an increase in freight car production in North America.

The Distribution segment incurred a loss of \$5.2 million in 2002 compared to a loss of \$2.7 million in the prior year. Both the Canadian and U.S. units incurred losses, however the majority of the loss occurred in the U.S. due to the soft market conditions that persisted throughout the year which resulted in a significant drop in key market segments. These conditions led to a further down-

sizing of the U.S. unit with the closure of the Los Angeles, California branch late in the year. An improvement in Distribution results in 2003 will be highly dependent on an improvement in the current soft market conditions.

Operating earnings in 2002 include a one-time gain of \$1.5 million or \$0.04 per share on the redemption of a portion of the senior notes as outlined in Note 5 to the financial statements under Long-Term Debt.

Operating earnings in 2002 were also affected by \$0.6 million related to costs associated with the Company's research and development projects. The cost of activities of a similar nature in 2001 was \$1.2 million.

Interest expense for the year was \$9.0 million compared to \$12.4 million in the prior year. The decrease of \$3.4 million in 2002 relates primarily to lower debt levels and the impact of the reduction in interest rates during the year. Interest revenue remained unchanged at \$0.1 million during the year.

The Company's effective tax rate increased to a more normal level of 26.9% in 2002 compared to (12.0%) in the previous year and which was highly impacted by the loss on sale of the European business.

Net earnings were \$26.9 million or \$0.83 per share which reflects a significant increase compared to the loss last year of \$6.1 million or \$0.18 per share. Excluding the loss on sale of the European business of \$20.4 million after tax which negatively impacted earnings by \$0.62 per share in 2001, net earnings in 2002 increased by \$12.6 million or 87.7%.

Net earnings as a percentage of sales were 3.9% in 2002 compared to a negative 0.8% in 2001 with the increase reflecting the higher earnings from the Packaging and Metal Processing segments. Earnings before interest, taxes, depreciation and amortization in 2002 and loss on sale of the European business in 2001 (EBITDA), were 10.7% of sales in 2002, compared to 8.5% achieved in the prior year.

EBITDA should not be construed as a substitute for operating earnings, net earnings or cash flow from operations (each as determined in accordance with generally accepted accounting principles) for the purpose of analyzing the Company's operating performance, financial position or cash flows. The Company believes that, in addition to cash flow from operations and net earnings, EBITDA is a useful financial performance measurement for assessing operating performance as it provides investors with an additional basis to evaluate the ability of the Company to incur and service debt and to fund capital expenditures.

Provided economic conditions continue to improve as expected during 2003, the Company expects that earnings will be higher next year.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow from operations before changes in non-cash working capital in 2002 amounted to \$57.4 million which is up \$17.9 million from \$39.5 million in the previous year with the increase attributable to higher earnings. Overall cash flow from operating activities decreased to \$59.1 million from \$76.8 million reflecting increased requirements for non-cash working capital.

Although cash used for investing activities at \$11.0 million is comparable to the prior year's \$10.4 million, spending on capital assets and business acquisitions was lower than last year which also benefited from the proceeds on the sale of the European business.

Cash used for financing activities amounted to \$51.2 million this year compared to \$33.2 million in the prior year with the increase due primarily to repayment of long-term debt. During 2002, the Company spent \$4.4 million on the purchase of 622,600 shares under its Normal Course Issuer Bids. Dividends paid on common shares amounted to \$3.9 million in 2002 compared to \$4.6 million in 2001 reflecting a decrease, effective with the second quarter of 2001, in the quarterly dividend rate to \$0.03 per share from \$0.05 per share.

In aggregate, the cash position decreased in 2002 by \$3.2 million compared to an increase of \$33.9 million in 2001. The Company continues to maintain credit facilities with various banks and, at December 31, 2002 had available unused credit facilities of approximately \$131 million.

Capital Expenditures

Capital expenditures in 2002 of \$11.2 million were lower than depreciation and amortization which amounted to \$27.8 million and also below 2001's capital spending which totaled \$30.7 million. Expenditures in 2002 were related primarily to expansion of the roll form value-added production equipment in Cambridge, Ontario; new specialty engineered tubing mills in Markham, Ontario; upgrades to the steel strapping lines in Mississauga and Scarborough, Ontario; and, plastic strapping machine upgrades in the United States. Capital spending in 2003 is expected to approximate \$25 million consisting mainly of new and replacement machinery and equipment at all manufacturing facilities.

Capital commitments outstanding at the end of 2002 amounted to \$5.5 million compared to \$4.9 million at the end of 2001 and related mainly to equipment purchases at a number of facilities.

Business Acquisitions

There were no business acquisitions in 2002 compared to \$2.7 million in 2001.

On February 7, 2003 the Company announced its intention to form a strategic joint venture with Sekisui Jushi of Japan for the manufacturing, selling and distribution of polypropylene strapping

in North America. As a result, the Company's Winchester, Tennessee facility would be closed. The Company's contribution into the joint venture will amount to an estimated U.S. \$5.3 million and result in estimated costs of U.S. \$1.7 million to cover facility closures, disposal of assets, severance and other related items. The proposed transaction is subject to a number of preconditions to closing, including completion of detailed due diligence, certain regulatory and Boards of Directors' and other approvals, with the agreement expected to close in the latter half of 2003.

Working Capital

Working capital at December 31, 2002 was \$114.5 million, a decrease of \$24.6 million from \$139.1 million at December 31, 2001 with the decrease due mainly to higher payables and an increase in the current portion of long-term debt which is more than offset by a reduction in long-term debt. The working capital ratio at year-end was 1.9 which is lower than the 2.4 at the end of the previous year.

Net Borrowings to Capitalization

The Company's net borrowings at the end of 2002 amounted to \$119.3 million, a decrease of \$41.3 million from \$160.6 million at the end of the previous year. This decrease reflects the favourable cash flow during the year arising from improved profits and reduced spending on capital assets and business acquisitions. The net debt to capitalization ratio at the end of 2002 improved to 34.2% from 43.2% at the end of the prior year.

Risks and Uncertainties

The Company is exposed to financial market risks including changes in foreign currency exchange rates and interest rates on its debt obligations. The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates and interest rates. The Company does not use derivative financial instruments for speculative purposes.

Foreign Currency Risk

Although a substantial portion of the Company's revenue and expense activities and capital expenditures are transacted in U.S. dollars, the Company does not believe that there is a material exposure to foreign currency risk because of the relative stability of the Canadian dollar in relation to the U.S. dollar. An adverse change in foreign currency exchange rates of 100 basis-points would not have a material effect on the consolidated results of operations, financial position, or cash flows.

Interest Rate Risk

The interest rate on the senior notes as well as the majority of the Company's credit facility is fixed and therefore not subject to interest rate risk. The balance of the credit facility bears interest based on bank prime or various bankers' acceptances and LIBOR options plus stamping fees. Based on projected advances under this portion of the credit facility, a 100 basis-point adverse change in interest rates would not have a material effect on the consolidated results of operations, financial position, or cash flows.

New Accounting Principles

Effective January 1, 2002, the Company adopted, on a prospective basis, the new recommendations of the CICA with respect to accounting for goodwill and other intangible assets and accounting for stock-based compensation and other stock-based payments. Full details of these new recommendations are outlined in Note 1 (f) and (l) to the financial statements under Summary of Significant Accounting Policies and in Note 8 under Capital Stock. The application of the new recommendations relating to goodwill and other intangible assets had the effect of increasing operating profit for 2002 by \$1.6 million. Adoption of the new recommendations relating to stock-based compensation and other stock-based payments had no effect on the results in 2002.

Shareholders

As a result of the higher earnings in 2002, the return on average shareholders' equity increased to 12.2% from a negative 2.8% in the prior year reflecting the increased profitability in the Packaging and Metal Processing segments of the Company. The book value per share was \$7.18 at the end of 2002, an increase of 10.6% from the prior year's \$6.49 with the higher value due primarily to the increase in retained earnings of \$19.1 million.

Under its Normal Course Issuer Bids, the Company purchased and cancelled 622,600 common shares at an average price of \$7.12 per share for a total consideration of \$4.4 million of which \$3.9 million was charged to retained earnings representing the cost of the shares purchased in excess of their stated value. Of the total shares purchased, 168,800 related to the Issuer Bid which ended on August 18, 2002 and 453,800 related to the Issuer Bid which commenced on August 19, 2002. This latter Issuer Bid approves the purchase by the Company of up to 1,618,997 common shares during the one-year period commencing August 19, 2002.

Quarterly Results

(thousands of dollars except per share amounts)

	Q1	Q2	Q3	Q4	2002 Total	Q1	Q2	Q3	Q4	2001 Total
Net Sales	\$160,237	\$172,477	\$179,273	\$175,778	\$687,765	\$186,639	\$189,964	\$182,549	\$161,665	\$720,817
Net Earnings (Loss)	5,330	6,807	8,111	6,661	26,909	2,699	4,832	4,418	(18,013)	(6,064)
Basic and Diluted Net Earnings (Loss) per Share	0.16	0.21	0.25	0.21	0.83	0.08	0.15	0.13	(0.54)	(0.18)

Management's Responsibility for Financial Reporting

The consolidated financial statements and other information in this annual report are the responsibility of management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect estimates based on the best judgement of management. The financial information presented throughout this annual report is consistent with the financial statements.

Management maintains accounting systems which incorporate extensive internal financial controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. An internal audit program has been established to review and evaluate the accounting records and internal controls with findings and recommendations reported to management and the Audit and Finance Committee.

KPMG LLP, an independent firm of Chartered Accountants, has been appointed by the shareholders as external auditors of the Company. The Auditors' Report to the Shareholders, which describes the scope of the examination and expresses their opinion on the consolidated financial statements is presented on this page.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Board exercises its responsibility through its Audit and Finance Committee, the majority of whose members are not employees of the Company. This Committee meets regularly with the independent auditors and management, including internal audit staff, to satisfy itself that the responsibilities of the respective parties are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval.



Mark C. Samuel
President and CEO



John D. Amodeo
Vice-President
and Chief Financial Officer

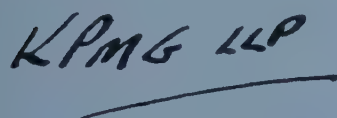
February 11, 2003

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of SAMUEL MANU-TECH INC. as at December 31, 2002 and 2001 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Toronto, Canada
February 11, 2003

Consolidated Statements of Earnings

(in thousands of dollars except per share amounts)
Years ended December 31, 2002 and 2001

	2002	2001
NET SALES	\$ 687,765	\$ 720,817
COSTS (INCOME) AND EXPENSES:		
Cost of sales, selling and administration	614,076	660,186
Depreciation and amortization	27,809	29,479
Foreign exchange loss (gain)	182	(801)
Interest on long-term debt	8,786	11,739
Interest on short-term debt	169	670
Interest income	(66)	(142)
	650,956	701,131
EARNINGS BEFORE LOSS ON SALE OF EUROPEAN BUSINESS AND INCOME TAXES	36,809	19,686
LOSS ON SALE OF EUROPEAN BUSINESS (note 12)	—	25,102
EARNINGS (LOSS) BEFORE INCOME TAXES	36,809	(5,416)
INCOME TAXES (RECOVERY) (note 7):		
Current	7,325	9,003
Future	2,575	(8,355)
	9,900	648
NET EARNINGS (LOSS)	\$ 26,909	\$ (6,064)
BASIC AND DILUTED NET EARNINGS (LOSS) PER SHARE	\$ 0.83	\$ (0.18)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

(in thousands of dollars)
Years ended December 31, 2002 and 2001

	2002	2001
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 175,244	\$ 189,552
NET EARNINGS (LOSS)	26,909	(6,064)
DIVIDENDS PAID ON COMMON SHARES	(3,866)	(4,604)
SHARES PURCHASED AND CANCELLED (note 8)	(3,931)	(3,640)
RETAINED EARNINGS, END OF YEAR	\$ 194,356	\$ 175,244

See accompanying notes to consolidated financial statements.

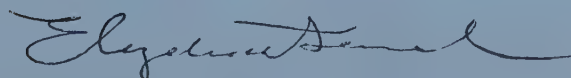
Consolidated Balance Sheets

(in thousands of dollars)
December 31, 2002 and 2001

	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 4,742	\$ 15,877
Accounts receivable	99,602	85,755
Inventories (note 2)	125,475	123,906
Prepaid expenses and sundry	3,108	3,318
Future income taxes (note 7)	8,554	7,966
	241,481	236,822
CAPITAL ASSETS (note 3)	182,231	197,831
FUTURE INCOME TAXES (note 7)	9,869	13,230
DEFERRED PENSION COSTS (note 6)	–	306
INTANGIBLE ASSETS, net of amortization (note 4)	32,134	34,309
	\$ 465,715	\$ 482,498
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	\$ 3,771	\$ 11,673
Accounts payable and accrued liabilities	84,815	66,642
Dividends payable	966	984
Income taxes payable	5,884	5,698
Current portion of long-term debt (note 5)	31,552	12,742
	126,988	97,739
LONG-TERM DEBT (note 5)	88,670	152,086
ACCRUED PENSION OBLIGATION (note 6)	330	–
POST-RETIREMENT BENEFITS		
OTHER THAN PENSIONS (note 6)	2,802	3,459
FUTURE INCOME TAXES (note 7)	17,809	18,007
	236,599	271,291
SHAREHOLDERS' EQUITY:		
Capital stock (note 8)	25,839	26,343
Retained earnings	194,356	175,244
Cumulative translation adjustment	8,921	9,620
	229,116	211,207
COMMITMENTS AND CONTINGENCIES (note 13)		
	\$ 465,715	\$ 482,498

See accompanying notes to consolidated financial statements.

ON BEHALF OF THE BOARD OF DIRECTORS



(Signed) E. J. Samuel, Director



(Signed) M. C. Samuel, Director

Consolidated Statements of Cash Flows

(in thousands of dollars)
Years ended December 31, 2002 and 2001

	2002	2001
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net earnings (loss)	\$ 26,909	\$ (6,064)
Items not involving cash:		
Depreciation and amortization	27,809	29,479
Loss on sale of European business, net of income taxes (note 12)	–	20,400
Loss on disposal of capital assets	80	93
Future income taxes	2,575	(3,653)
Decrease (increase) in deferred pension costs	302	(230)
Increase in accrued pension obligation	330	–
Decrease in post-retirement benefits other than pensions	(625)	(477)
	57,380	39,548
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(14,399)	17,363
Decrease (increase) in inventories	(2,235)	26,240
Decrease (increase) in prepaid expenses and sundry	195	(193)
Increase (decrease) in accounts payable and accrued liabilities	17,936	(11,712)
Increase in income taxes payable	220	5,529
	59,097	76,775
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds on sale of capital assets	181	259
Purchase of capital assets	(11,158)	(30,657)
Proceeds on sale of European business (note 12)	–	22,747
Business acquisitions (note 11)	–	(2,701)
	(10,977)	(10,352)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Purchase of common shares (note 8)	(4,435)	(4,248)
Increase in long-term debt	29,654	26,023
Repayment of long-term debt	(72,542)	(50,390)
Dividends paid on common shares	(3,866)	(4,604)
	(51,189)	(33,219)
EFFECT OF EXCHANGE RATE CHANGES ON CASH POSITION	(164)	713
INCREASE (DECREASE) IN CASH POSITION	(3,233)	33,917
CASH POSITION, BEGINNING OF YEAR	4,204	(29,713)
CASH POSITION, END OF YEAR	\$ 971	\$ 4,204

Cash position is comprised of cash and short-term deposits, with maturities at the date of purchase of three months or less, less bank indebtedness.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(in thousands of dollars except per share amounts)
Years ended December 31, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. Significant accounting policies adopted by the Company are as follows:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of all subsidiaries and the Company's proportionate share of assets and liabilities of a partnership, after elimination of material intercompany balances and transactions.

(b) Revenue recognition:

Revenue resulting from the sale of goods or services is recognized when goods are shipped or services provided. Revenue resulting from specific contracts is recognized on the percentage of completion basis.

(c) Inventories:

Raw materials are valued at the lower of cost and replacement cost. Work in process and finished goods are valued at the lower of cost and net realizable value.

(d) Capital assets, depreciation and amortization:

Capital assets are recorded at their historical cost. Depreciation and amortization are provided based on the estimated useful lives of the assets at the following annual rates:

Declining-balance basis:

Furniture and fixtures	20%
Trucks and automobiles	at rates varying from 20% to 30%

Straight-line basis:

Buildings	at rates varying from 3% to 5%
Machinery and equipment	at rates varying from 7% to 20%
Leasehold improvements	over the terms of the leases plus one renewal option period

(e) Employee benefit plans:

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. The cost of pension and other retirement benefits earned by employees is determined using the projected benefit method prorated on service and management's best estimates of the pension plans' expected investment yields, wage and salary escalation, mortality of members, terminations and the ages at which members will retire. The discount rate used for determining current service cost and the liability for future benefits is the current interest rate at the balance sheet date on high quality fixed income investments with maturities that match the expected maturity of the obligations.

Earnings are charged with the cost of benefits earned by employees as services are rendered. Adjustments arising from pension plan adjustments and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service lives of the members. The average remaining service life of the members is 15 years.

The difference between pension cost, determined on an accounting basis, and the funding of pension costs, as required by regulatory authorities, gives rise to a timing difference in the recognition of pension expense, which appears on the balance sheets as either deferred pension costs or accrued pension obligation.

The Company is responsible for continuing to provide health care and life insurance benefits for certain retired employees. The amount of the accumulated post-retirement benefits obligation has been actuarially determined and benefit costs are charged against the obligation as incurred.

(f) Intangible assets:

Intangible assets represent goodwill arising upon acquisition of subsidiaries, a licence, patents and other intangible assets acquired. Effective January 1, 2002, the Company adopted the new recommendations of the CICA with respect to goodwill and other intangible assets on a prospective basis. These recommendations require that goodwill and other intangible assets with indefinite lives ("intangible assets") no longer be amortized but instead be subjected to an annual impairment test to ensure that the carrying value does not exceed their fair value. If impairment of intangible assets is determined, an impairment loss will be recognized and intangible assets will be written down to their fair value. An impairment loss is to be provided when the carrying amount of the intangible asset exceeds its fair value. The application of the new recommendations had the effect of increasing operating profit for the year ended December 31, 2002 by \$1,573, which represents goodwill amortization, which would have been provided for under the former recommendations.

The Company has determined that none of its intangible assets other than goodwill have indefinite lives and, accordingly, continues to amortize such intangible assets over their estimated useful lives.

For the year ended December 31, 2001, amortization of goodwill was \$1,631, net of taxes of \$339. Had goodwill not been amortized, the basic and diluted loss per share would have decreased by \$0.05 to \$0.13 and the net loss would have been \$4,433.

For the year ended December 31, 2001, goodwill was recorded at cost and amortized on a straight-line basis over a period, not exceeding 20 years. The Company assessed the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life could be recovered through projected undiscounted future operating results. Impairment, if any, was measured based upon an estimate of the fair value of the goodwill.

(g) Income taxes:

The Company follows the liability method of accounting for future income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws anticipated to apply in the years that the differences are expected to reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs.

(h) Earnings per share:

Earnings per share are calculated using the weighted average number of shares outstanding during the year. The treasury stock method is used to calculate diluted earnings per share. Under the treasury stock method, it assumes that potential proceeds from the exercise of stock options and warrants would be used to purchase the Company's common shares at the average market price during the year, thereby reducing the number of shares otherwise used to calculate diluted earnings per share. The adoption of these recommendations in 2001 had no effect on basic earnings per share and the assumed exercise of outstanding stock options would not have a dilutive effect.

(i) Foreign exchange translation:

Assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at year end exchange rates. Income and expenses are translated at average exchange rates during the year. Cumulative exchange differences arising on translation of the financial statements of the foreign operations are deferred and reported in the

cumulative translation adjustment account in the shareholders' equity section of the consolidated balance sheets. The Company's foreign currency denominated debt acts as a hedge to the foreign currency exposure generated by the self-sustaining foreign operations. As such the translation gains and losses are also accumulated in the cumulative translation adjustment account.

In respect of other transactions denominated in a foreign currency, the monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at the year end exchange rates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. All of the exchange gains or losses resulting from these other transactions are recognized currently in income.

(j) Derivative financial instruments:

The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates and interest rates. These instruments include forward exchange contracts and interest rate swaps. All such instruments are used for risk management purposes only. The income or expense arising from these activities is offset against the item hedged. Unrealized gains or losses on outstanding contracts are not recorded in the consolidated financial statements until maturity of the underlying transactions.

(k) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(l) Stock option plan:

Effective January 1, 2002, the Company adopted the new recommendations of the CICA with respect to stock-based compensation and other stock-based payments on a prospective basis. The Company has a fixed stock option plan, which is described in note 8, to which it applies the settlement method of accounting. The new standard permits the Company to continue its existing policy of not recording compensation cost on the grant of stock options to employees. Consideration paid by the employees on the exercise of stock options is recorded as capital stock. If stock options are repurchased, the excess of the consideration paid over the carrying amount of the stock option cancelled is charged to retained earnings. The Company also provides a stock purchase plan to employees, which is non-compensatory.

2. INVENTORIES:

	2002	2001
Raw materials	\$ 28,244	\$ 21,807
Work in process	5,689	6,161
Finished goods	91,542	95,938
	\$ 125,475	\$ 123,906

3. CAPITAL ASSETS:

2002	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 9,010	\$ -	\$ 9,010
Buildings	64,035	18,677	45,358
Machinery and equipment	274,899	153,989	120,910
Furniture and fixtures	18,897	14,889	4,008
Trucks and automobiles	2,622	1,326	1,296
Leasehold improvements	5,029	3,380	1,649
	\$ 374,492	\$ 192,261	\$ 182,231

2001	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 9,045	\$ -	\$ 9,045
Buildings	55,448	16,220	39,228
Machinery and equipment	275,703	133,831	141,872
Furniture and fixtures	18,679	14,068	4,611
Trucks and automobiles	2,631	1,274	1,357
Leasehold improvements	4,753	3,035	1,718
	\$ 366,259	\$ 168,428	\$ 197,831

4. INTANGIBLE ASSETS:

	2002	2001
Goodwill, net (i)	\$ 17,822	\$ 18,138
Licence, net (ii)	13,821	15,547
Patents and other, net (iii)	491	624
	\$ 32,134	\$ 34,309

(i) The Company completed impairment tests for its reporting units and determined that there were no impairments.

(ii) The cost and accumulated amortization of the licence at December 31, 2002 amounted to \$23,664 (2001 - \$23,892) and \$9,843 (2001 - \$8,345), respectively.

(iii) The cost and accumulated amortization of patents and other at December 31, 2002 amounted to \$1,308 (2001 - \$1,314) and \$817 (2001 - \$690), respectively.

5. LONG-TERM DEBT:

	2002	2001
Senior notes	\$ 93,394	\$ 133,795
Revolving credit	2,060	31,033
Non-revolving credit	24,768	-
	120,222	164,828
Less principal due within one year	31,552	12,742
	\$ 88,670	\$ 152,086

The Company issued and sold U.S. \$100,000 in senior notes on April 28, 1997 to replace the Company's term credit agreement with the bank, which was for the purpose of acquiring the packaging businesses of The Interlake Corporation in 1996. The third principal payment of U.S. \$8,000 was made as due on April 29, 2002. The senior notes are repayable on April 28 of each year per the following schedule: U.S. \$20,000 in 2003; U.S. \$20,000 in 2004; and U.S. \$19,200 in 2005. At the Company's option, on or after April 1, 2003, additional principal amounts of the senior notes may be repaid. The notes are unsecured and bear interest as at December 31, 2002 at a rate of 6.99%.

On January 18, 2002, the Company redeemed U.S. \$16,800 in senior notes, resulting in a gain on extinguishment of Cdn. \$1,518. This gain is included as part of cost of sales, selling and administration on the consolidated statements of earnings and as part of the Corporate segment in note 10. On the same date, the Company drew U.S. \$15,700 against its U.S. \$15,700 non-revolving term facility which is due on maturity on April 28, 2005. At the time of drawing on this unsecured facility, the Company entered into an interest rate swap agreement expiring on April 28, 2005, which subjects the Company to a fixed rate of 4.545% on U.S. \$13,000. The interest rate on the non-revolving credit facility, inclusive of the interest rate swap agreement, as at December 31, 2002 was 5.57%, inclusive of stamping fees. With the redemption of the U.S. \$16,800 in senior notes, the average life of the senior notes is now 5.9 years (2001 - 6.44 years).

The Company's revolving credit agreement with a bank provides for a \$75,000 facility, maturing on July 29, 2004. The Company can borrow by direct advances at bank prime or at various bankers' acceptances and LIBOR options plus stamping fees. The loan is unsecured and bears interest as at December 31, 2002 at a rate of 2.2% (2001 - 3.06%), inclusive of stamping fees.

Principal payments to maturity are \$31,552 in 2003; \$31,552 in 2004; \$55,058 in 2005; nil in 2006; and nil in 2007.

Interest paid in 2002 was \$8,903 (2001 - \$12,174).

6. ACCRUED PENSION OBLIGATION:

The Company has a number of defined contribution and defined benefit pension plans providing pension benefits to most of its employees. The total expense for the Company's defined contribution plans for 2002 was \$1,415 (2001 - \$1,316). Information about the Company's defined benefit plans is as follows:

	Pension plans		Other benefit plans	
	2002	2001	2002	2001
PLAN ASSETS:				
Fair value, beginning of year	\$ 41,407	\$ 83,731	\$ -	\$ -
Sale of European business (note 12)	-	(41,678)	-	-
Actual (loss) return on plan assets	(2,275)	(543)	-	-
Employer contributions	2,827	1,778	839	469
Employee contributions	478	473	-	-
Administrative fees	(688)	(537)	(839)	(469)
Benefits paid	(2,289)	(2,092)	-	-
Foreign exchange rate changes	(44)	275	-	-
Fair value, end of year	\$ 39,416	\$ 41,407	\$ -	\$ -

ACCRUED BENEFIT OBLIGATION:

Balance, beginning of year	\$ 44,832	\$ 78,402	\$ 4,216	\$ 4,374
Sale of European business (note 12)	-	(38,320)	-	-
Current service cost	2,539	2,662	-	-
Interest cost	3,431	2,927	343	296
Plan amendments	2,479	723	-	-
Benefits paid	(2,289)	(2,092)	(839)	(469)
Actuarial losses	1,650	260	412	4
Foreign exchange rate changes	(43)	270	(33)	11
Balance, end of year	\$ 52,599	\$ 44,832	\$ 4,099	\$ 4,216

FUNDED STATUS - PLAN SURPLUS (DEFICIT):

Deficit, end of year	\$ (13,183)	\$ (3,425)	\$ (4,099)	\$ (4,216)
Unamortized past service cost	3,052	777	-	-
Unamortized net actuarial loss	10,007	3,192	1,297	757
Unamortized transitional (asset) obligation	(206)	(238)	-	-
Accrued benefit (liability) asset, end of year	\$ (330)	\$ 306	\$ (2,802)	\$ (3,459)

PENSION EXPENSE:

Current service cost, net of employee contributions	\$ 2,156	\$ 1,749	\$ -	\$ -
Interest costs	3,431	2,918	343	288
Expected return on plan assets	(2,988)	(3,338)	-	-
Amortization of past service costs	203	43	-	-
Amortization of net actuarial loss	66	1	78	20
Amortization of transitional (asset) obligation	(32)	(32)	-	-
Net pension expense	\$ 2,836	\$ 1,341	\$ 421	\$ 308

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted average assumptions as at December 31):

	Pension plans		Other benefit plans	
	2002	2001	2002	2001
Discount rate	7.05%	7.05%	7.40%	7.50%
Expected long-term rate of return on plan assets	7.10%	8.11%	-	-
Rate of compensation increase	3.50%	3.50%	-	-
Assumed rate of increase in per capita cost of covered health care benefits	-	-	6.80%	5.00%

Included in the above accrued benefit obligation and fair value of plan assets at year end are the following amounts in respect of plans that are not fully funded:

	Pension plans		Other benefit plans	
	2002	2001	2002	2001
Accrued benefit obligation	\$ 52,599	\$ 38,859	\$ 4,099	\$ 4,215
Fair value of plan assets	39,416	35,588	-	-
Funded status - plan deficit	\$ 13,183	\$ 3,271	\$ 4,099	\$ 4,215

In addition to the benefit arrangements noted above, the Company's European business also sponsored two defined benefit pension plans. The Company has transferred all obligations and associated assets in respect of these pension plans as part of the share sale of its European business in 2001 (note 12). The Company's 2001 pension expense in respect of these two pension plans for the period up to the date of sale was \$179.

7. INCOME TAXES:

The tax effects of temporary differences that give rise to future income tax assets and liabilities are as follows:

	2002	2001
FUTURE INCOME TAX ASSETS:		
Accounts receivable	\$ 735	\$ 747
Inventories	3,046	2,139
Intangible assets	2,782	3,649
Accounts payable	4,963	3,872
Tax losses	8,543	12,081
Total future income tax assets	20,069	22,488
Valuation allowance	(1,646)	(1,292)
Net future income tax assets	18,423	21,196
Less current portion	8,554	7,966
Non-current future income tax assets	\$ 9,869	\$ 13,230

FUTURE INCOME TAX LIABILITIES:

Capital assets	\$ 17,040	\$ 17,178
Intangible assets	220	280
Tax in foreign jurisdictions	549	549
Total future income tax liabilities	\$ 17,809	\$ 18,007

The Company's effective income tax rate is derived as follows:

	2002	2001
Basic Canadian tax rate	38.3%	40.1%
Federal surtax	1.1%	1.1%
Manufacturing and processing profits credit	(5.4)%	(6.1)%
Effect of loss on sale of European business	-	(75.2)%
Effect of different tax rates in foreign jurisdictions	(4.1)%	52.5%
Effect of previously unrecognized capital losses and tax rate changes	(3.7)%	-
Non-deductible amortization of capital assets and goodwill	1.4%	(19.8)%
Other	(0.7)%	(4.6)%
Effective tax rate	26.9%	(12.0)%

The Company has non-capital losses of approximately \$25,258 (2001 - \$11,700) available to offset future taxes payable, the benefit of which has been recognized in the consolidated financial statements. In addition, the Company has net capital losses of approximately \$19,599 (2001 - \$18,200), which can be carried forward indefinitely to offset future capital gains. The benefit of the net capital losses has not been reflected in the consolidated financial statements.

Income taxes paid in 2002 were \$8,582 (2001 - \$4,384).

8. CAPITAL STOCK:

The authorized capital stock of the Company comprises an unlimited number of first preferred shares and an unlimited number of common shares. Details of issued and outstanding common shares for the years ended December 31, 2002 and 2001 are as follows:

	2002		2001	
	Shares	Amount	Shares	Amount
Balances at January 1	32,548,745	\$ 26,343	33,300,940	\$ 26,951
Shares purchased for cancellation	(622,600)	(504)	(752,195)	(608)
Balances at December 31	31,926,145	\$ 25,839	32,548,745	\$ 26,343

During 2002, the Company purchased and cancelled 622,600 (2001 – 752,195) common shares at an aggregate cost of \$4,435 (2001 – \$4,248), of which \$504 (2001 – \$608), equal to the book value of the shares, was allocated to share capital and the balance of \$3,931 (2001 – \$3,640) to retained earnings.

Under the stock option plan, the Company has granted options to purchase common shares to certain directors, officers and key employees of the Company. The maximum number of shares that can be issued under the plan is 1,700,000 common shares and the aggregate of the common shares reserved for issuance upon the exercise of options cannot exceed 10% of total outstanding stock. These options vest at 40% after two years from grant date, and 20% each year thereafter. Each option gives the right to its holder to acquire one common share. The option prices are equal to the closing price of the common shares on The Toronto Stock Exchange on the trading day immediately prior to the day the options were granted. These options expire ten years after the grant date.

Changes in the Company's stock options are as follows:

	2002		2001	
	Options	Weighted average price	Options	Weighted average price
Balances at January 1	691,000	\$ 7.76	671,000	\$ 7.82
Options granted	177,500	6.30	20,000	5.70
Balances at December 31	868,500	\$ 7.46	691,000	\$ 7.76

The following options were outstanding as at December 31, 2002. To date, no options have been exercised.

	Outstanding Options			Vested Options	
	Number of options	Exercise Price	Weighted average remaining contractual life	Number of options	Exercise Price
Options granted in 1998	215,000	\$ 10.50	6	172,000	\$ 10.50
Options granted in 1999	244,000	7.60	7	146,400	7.60
Options granted in 2000	212,000	5.35	8	84,800	5.35
Options granted in 2001	20,000	5.70	9	–	–
Options granted in 2002	177,500	6.30	10	–	–
	868,500	\$ 7.46	8	403,200	\$ 8.36

The capital stock outstanding used to calculate basic and diluted earnings per share is as follows:

	2002	2001
Weighted average number of common shares outstanding during the year (for calculation of basic earnings per share)	32,328,853	32,942,975
Incremental shares	47,448	–
Weighted average number of common shares outstanding during the year (for calculation of diluted earnings per share)	32,376,301	32,942,975

On October 28, 2002, the Company issued 177,500 options to certain employees of the Company.

The following table outlines the impact if the compensation cost for the Company's stock options was determined under the fair value based method of accounting for awards granted on or after January 1, 2002. The Company has applied the pro forma disclosure provisions of the new standard to awards granted on or after January 1, 2002.

	2002
Net earnings, as reported	\$ 26,909
Pro forma net earnings	26,899
Pro forma earnings per share	0.83

The fair value of each option granted was estimated on the date of grant using the Black-Scholes fair value option pricing model with the following assumptions:

	2002
Risk-free interest rate	4.43%
Dividend yield	3.17%
Expected volatility	35.3%
Weighted average expected life	5 years

For the purposes of pro forma disclosures, the weighted average estimated fair value for the 177,500 stock options granted during the year ended December 31, 2002 was \$1.77 per share, with a total compensation cost of \$314 which is amortized to earnings over the options' vesting period.

9. RELATED PARTY TRANSACTIONS:

The Company had transactions in the normal course of operations with its parent and companies under its control as follows:

	2002	2001
Sales of goods and services	\$ 19,596	\$ 10,181
Purchases of goods and services	14,618	19,296

As at December 31, 2002, accounts payable and accrued liabilities include amounts due to the parent and companies under its control of \$3,621 (2001 - \$1,605).

As at December 31, 2002, accounts receivable include amounts due from the parent and companies under its control of \$3,470 (2001- \$976).

10. SEGMENTED INFORMATION:

The Company operates in three business segments - Packaging, Metal Processing and Distribution, primarily within the North American and European markets (note 12).

Business Segments - 2002:

	Packaging	Metal Processing	Distribution	Corporate	Consolidated
Net sales	\$ 334,787	\$ 267,563	\$ 85,415	\$ -	\$ 687,765
Earnings (loss) before interest	\$ 20,163	\$ 35,565	\$ (5,244)	\$ (4,786)	\$ 45,698
Interest on long-term debt					(8,786)
Interest on short-term debt					(169)
Interest income					66
Earnings before income taxes					\$ 36,809
Goodwill, net	\$ 17,737	\$ 85	\$ -	\$ -	\$ 17,822
Other identifiable assets	177,009	221,141	45,271	4,472	447,893
Total identifiable assets	\$ 194,746	\$ 221,226	\$ 45,271	\$ 4,472	\$ 465,715
Depreciation and amortization	\$ 9,867	\$ 16,935	\$ 686	\$ 321	\$ 27,809
Net capital expenditures	\$ 4,098	\$ 6,485	\$ 528	\$ 47	\$ 11,158

Business Segments - 2001:

	Packaging	Metal Processing	Distribution	Corporate	Consolidated
Net sales	\$ 367,936	\$ 259,702	\$ 93,179	\$ -	\$ 720,817
Earnings (loss) before sale of European business and interest	\$ 13,166	\$ 26,669	\$ (2,677)	\$ (5,205)	\$ 31,953
Sale of European business					(25,102)
Interest on long-term debt					(11,739)
Interest on short-term debt					(670)
Interest income					142
Loss before income taxes					\$ (5,416)
Goodwill, net	\$ 18,053	\$ 85	\$ -	\$ -	\$ 18,138
Other identifiable assets	181,339	214,574	49,472	18,975	464,360
Total identifiable assets	\$ 199,392	\$ 214,659	\$ 49,472	\$ 18,975	\$ 482,498
Depreciation and amortization	\$ 13,256	\$ 15,155	\$ 758	\$ 310	\$ 29,479
Net capital expenditures	\$ 4,614	\$ 25,159	\$ 567	\$ 317	\$ 30,657

10. SEGMENTED INFORMATION (continued):**Geographic Segments:**

	2002	2001
Net sales from North American businesses	\$ 687,765	\$ 672,537
Net sales from European business	-	48,280
	\$ 687,765	\$ 720,817
Earnings before sale of European business and interest in North American businesses	\$ 50,484	\$ 36,456
Earnings before sale of European business and interest in European business	-	702
Corporate expense before sale of European business and interest	(4,786)	(5,205)
Earnings before sale of European business and interest	45,698	31,953
Sale of European business	-	(25,102)
Interest on long-term debt	(8,786)	(11,739)
Interest on short-term debt	(169)	(670)
Interest income	66	142
Earnings (loss) before income taxes	\$ 36,809	\$ (5,416)
Identifiable assets in North American businesses	\$ 461,243	\$ 463,523
Corporate assets	4,472	18,975
	\$ 465,715	\$ 482,498
Export sales of North American production to foreign countries	\$ 15,057	\$ 11,460
Export sales of European production to foreign countries	-	23

11. BUSINESS ACQUISITION:

Effective March 12, 2001, the Company acquired the net assets and business of Pearce Industries Ltd. and Surrey Wire Rope Ltd. This acquisition has been accounted for under the purchase method of accounting and the results of operations since the acquisition have been included in the consolidated statements of earnings. Details of the consideration given and the fair value of net assets acquired are as follows:

Cash consideration	\$ 2,701
Net assets acquired, at fair values:	
Inventories	\$ 2,369
Prepaid expenses	4
Capital assets	412
Accounts payable	(84)
Net assets acquired	\$ 2,701

12. SALE OF EUROPEAN BUSINESS:

Effective November 21, 2001, the Company sold the shares of its wholly owned subsidiary, Samuel Strapping Systems (U.K.) Limited, for net proceeds of \$22,747, resulting in a net loss on sale of \$20,400 as follows:

Loss on sale of European business	\$ 25,102
Reversal of future income tax liability	(4,702)
Net loss on sale of European business	\$ 20,400

Included in accounts receivable as at December 31, 2001 was \$2,300 of the net proceeds, which was received in April 2002.

13. COMMITMENTS AND CONTINGENCIES:

The Company has the following operating lease commitments covering certain buildings and equipment used in operations, requiring minimum payments, of which 12% is to the majority shareholder of the Company:

2003	\$ 8,189
2004	6,412
2005	4,738
2006	2,961
2007	2,614
Thereafter	6,025
	\$ 30,939

As at December 31, 2002, the Company is committed to capital expenditures of approximately \$5,528 (2001 - \$4,869).

As at December 31, 2002, the Company was committed to the sale of U.S. \$3,000 under forward exchange contracts. The contracts are at rates of exchange ranging from Cdn. \$1.5790 to \$1.5827, maturing from January 3 to March 4, 2003. The forward exchange contracts represent an obligation to exchange principal amounts between the Company and the counterparty.

As at December 31, 2002, the Company was committed to the sale of €52 under forward exchange contracts. The contracts are at rates of exchange ranging from Cdn. \$1.5500 to \$1.6400, maturing from January 17 to April 16, 2003. The forward exchange contracts represent an obligation to exchange principal amounts between the Company and the counterparty.

As at December 31, 2002, the Company was committed to an interest rate swap agreement on a notional amount of U.S. \$13,000 effective from January 18, 2002 to April 28, 2005. The agreement subjects the Company to a fixed rate of 4.545% and the counterparty to a floating three-month U.S. dollar LIBOR rate. The fair value of the derivative instrument represents an approximation of amounts the Company would have paid to or received from counterparties to unwind its positions prior to maturity. At December 31, 2002, the Company's fair value obligation for the interest rate swap is approximately U.S. \$750. The Company has no plans to unwind these positions prior to maturity.

Credit risk exists in the event of non-performance by a counterparty to the forward exchange contracts or the interest rate swap agreement. This risk is minimized as each contract is with a major chartered bank and represents an exchange between the same parties allowing for an offset in the event of non-performance.

The reported values of derivative financial instruments other than the interest rate swap at December 31, 2002 approximate their fair values. The carrying amounts of cash and short-term investments, accounts receivable and short-term obligations approximate their fair values because of the near-term maturity of those instruments. The carrying value of long-term debt approximates its fair value as the debt bears interest at rates comparable to current market rates.

The Company is also involved in various legal actions. In the opinion of management, the outcome of such proceedings will not have a material adverse effect on the financial position of the Company.

14. COMPARATIVE FIGURES:

The comparative figures for 2001 have been reclassified to conform to the financial statement presentation adopted in 2002 with respect to the amortization of goodwill and other intangible assets.

15. SUBSEQUENT EVENT:

The Company has signed a non-binding Letter of Intent with Sekisui Jushi of Japan to form a new strategic joint venture, which will manufacture, sell and distribute polypropylene strapping in North America.

The Company's contribution into the joint venture will amount to an estimated U.S. \$5,300 in exchange for 50% ownership of the joint venture. The joint venture's operations will be proportionately consolidated into the Company's results.

The proposed transaction is subject to a number of preconditions to closing, including completion of detailed due diligence, certain regulatory and Boards of Directors' and other approvals. The agreement is expected to close in the latter half of 2003, and will result in estimated costs of U.S. \$1,700 to cover facility closures, disposal of assets, severance and other related items.

PRINCIPAL OPERATING LOCATIONS

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29730, U.S.A.

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Samuel Strapping Systems - U.S.

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37398, U.S.A.

ISP Stitching & Bindery Products

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Metal Processing

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Brockhouse

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L6T 3T7

CMRM

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Mississauga, Ontario
L4Y 1Z6

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Cambridge, Ontario
N3H 4W1

Roll Formed Specialty

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M1S 1B1

Nelson Steel

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L8E 5X1

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Nanticoke, Ontario
N0A 1L0

1100 Regional Road #9
Nanticoke, Ontario
N0A 1L0

Nelson Consulting & Technology

199 Arvin Avenue
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L8E 2L9

WorldClass Processing Corp.

21 Century Drive
Ambridge, Pennsylvania
15003-2549, U.S.A.

Samuel Steel Pickling Company

1400 Enterprise Parkway
Twinsburg, Ohio
44087, U.S.A.

4589 Johnston Parkway
Cleveland, Ohio
44128, U.S.A.

Steel Fab

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Abingdon, Virginia
24210, U.S.A.

768 Westgate Road
Oakville, Ontario
L6L 5N2

Distribution

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L6T 5J7

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H4T 1W6

Unalloy-IWRC

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2306 4th Street
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Energy Steel Products

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TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada

Toronto, Ontario

AUDITORS

KPMG LLP

Toronto, Ontario

ANNUAL MEETING

April 24, 2003, 4:30 p.m.
The Toronto Stock Exchange
Conference Centre
2 First Canadian Place
Toronto, Ontario

Corporate Environmental Policy

Samuel Manu-Tech Inc. believes that it is in the best interest of our employees, our shareholders and our community that we strive to provide safe and healthy workplaces, and to avoid any action which would damage the natural environment. Accordingly, we have adopted the following principles and policies in order to achieve this goal:

- Protection of the environment is the responsibility of everyone at Samuel Manu-Tech.
- Samuel Manu-Tech will meet or exceed all applicable environmental laws and regulations. To achieve this objective, the Company will conduct environmental audits and will regularly monitor environmental compliance.
- Samuel Manu-Tech will maintain a program for crisis management and will ensure that its employees are trained in environmental issues.
- Samuel Manu-Tech's Corporate Environmental Officer will be responsible for monitoring the Corporate Environmental Compliance Program. This officer will report on the Company's environmental performance to the President and CEO who in turn will regularly report on environmental issues to Samuel Manu-Tech's Board of Directors.
- Adherence to these environmental principles and policies will sustain the viability of our business and enable us to continue to provide value to our employees, customers, shareholders and communities.

2002 ANNUAL REPORT

**SAMUEL MANU-TECH INC.**